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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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4 April 1984

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

#### CONTENTS

##### GERMAN DEMOCRATIC REPUBLIC

Attempts at Economic Reform Reviewed, Analyzed (Kurt Erdmann; FS-ANALYSEN, No 7, 1983).....	1
Debt Service Position Remains Precarious (FRANKFURTER ALLGEMEINE, 10 Mar 84).....	32
Briefs	
GDR, Sweden Increase Trade	34
February Weather Report	34
Spring Planting Projections	35

##### HUNGARY

Minister Finds Performance of Industry Wanting (Laszlo Kapolyi; MAGYAR HIRLAP, 29 Feb 84).....	36
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##### ROMANIA

Plans for Development of Horticulture in 1984 (I. Ceausescu; PRODUCTIA VEGETALA-HORTICULTURA, Jan 84).....	41
'Contradictions' in Economy Examined by Party Journal (Constantin Sirbu; ERA SOCIALISTA, No 4, 25 Feb 84).....	44

ATTEMPTS AT ECONOMIC REFORM REVIEWED, ANALYZED

West Berlin FS-ANALYSEN in German No 7, 1983 (signed to press Nov 83) pp 5-47

/Article by Kurt Erdmann: "On the Beginnings of Reform in the GDR Economy." Attachment 1 contains references, in brackets, to JPRS translations./

/Text/ Table of Contents

I. GDR Objectives for Changes in the Economic Mechanism

1. Guideline for the 1980's
2. Objectives at the 1983 Economics Research Conference
3. Key Points of Economic Measures

II. Management, Planning and Balancing

1. Central Planning and Balancing
2. Change of the Main Indices

III. Management in the Combine

1. Contribution to Social Funds
2. Other Economic Measures

IV. Costs and Prices

V. Problems and Consequences of the New Regulations

1. Financial Implications in the East-West Comparison
2. Comparative Aspects With Regard to Cost Reductions
3. Effects of the New Measures

VI. Critical Appraisal

Attachment 1: Selected GDR Reorganization Measures Through November 1983

Attachment 2: Key Points of the Decree on the Further Perfection of Economic Accounting



## I. GDR Objectives for Changes in the Economic Mechanism

### 1. Guideline for the 1980's

In 1983 the GDR continued the trend of the reorganization measures initiated last year by introducing interesting innovations. As often in the past, some things were repudiated and others, earlier repudiated, enjoyed a (usually) modified renaissance.

Upon entering the second half of the 1981-1985 Five-Year Plan period, the GDR economic leadership is also making a resolute attempt to enforce such improvements of the economic system as would lead us to expect the main targets of the "GDR's economic strategy"<sup>1</sup> to be realized faster and more consistently. The term "perfection of management, planning and economic accounting," used in SED jargon, quite skillfully (from the propaganda aspect) settles the apparently permanent adjustment and renewal of the economic mechanism. Lately the term "economic accounting" has replaced that of "economic stimulation." As explained on the first day of the symposium, questions outnumber answers.<sup>2</sup> Somewhat skeptical overtones are even apparent in some semi-official GDR publications. A few months ago in the party periodical EINHEIT,<sup>3</sup> Otto Reinhold, chancellor of the Academy for Social Sciences at the SED CC, for example, explained that the process of "fundamental change" in the economy --as currently proceeding--cannot possibly be "harmonious" from the outset. Indeed, "old management and planning methods in the national economy (are at this time running counter) to the new demands of intensively expanded reproduction,"<sup>4</sup> and that is the reason why such a process cannot be "objectively free of contradictions."<sup>5,6</sup> It is evident, according to Reinhold, "that largely intensively expanded reproduction cannot be coped with by the same organizational structure of the national economy, nor by the same methods of management and planning as largely extensively expanded reproduction"<sup>7</sup> We are bound to agree with Reinhold, both with a view to the past and to the summing up of the first day's meeting of the Ninth Symposium. The questions in how far "new" or "old new" methods and what might be the effects, uncertainties and hazards arising therefrom in planning and the production process in economic practice, represent essential aspects of this report, intended to complement system-related aspects of the symposium's first day.<sup>8</sup>

### 2. Objectives at the 1983 Economics Research Conference\*

The current starting basis of improvements in the system of central state planning and management in the GDR--basically for the period of the coming 1986-1990 Five-Year Plan--features the main objectives emphasized by Guenter Mittag, economic expert of the SED Politburo, in his lecture to more than 700 attendants at the so-called GDR Economics Research Conference in East Berlin last September. Mittag offered the following justification of "the now needed new step in intensification":<sup>10</sup>

"Once the combines--after several years of efforts--had begun increasingly better to meet their national responsibilities, it was found necessary within the total economic framework to decide measures for the further perfection of management, planning and economic accounting. The new measures focus in particular on the following objectives:

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\* The last so-called GDR Economics Research Conference met on 21/22 April 1978 in East Berlin. It was also the 24th Conference of the Scientific Advisory Council for Economics Research at the GDR Academy of Sciences.

1. The entire management of economic processes must be further improved in accordance with the principles of democratic centralism ...
2. State planning and balancing must be further improved, because this is the decisive basis of socialist management and the main tool for ensuring planned prosperous development and safeguarding total societal interests ...
3. The new criteria of performance appraisal of combines and enterprises must be more effectively used for the greatest possible growth of production by way of efficiency ...
4. The enterprises' own responsibility and economic interest must be further raised by the perfection of economic accounting in close connection with the plan."<sup>11</sup>

Mittag said "the tasks to be accomplished...(concerned the need) to catch up with the most advanced industrial countries with respect to labor productivity."<sup>12,13</sup>

### 3. Key Points of Economic Measures

Consequent upon several earlier SED Politburo resolutions in the period from October 1981 to May 1982, the GDR economic leadership adopted a plethora of measures in 1982, relating mainly to management concerns of combines. I dealt exhaustively with these here last year.<sup>14</sup> Basically dominant was a centralizing element, especially by the radical reinforcement of the differentiated network of controls. Genuine reform attempts were lacking altogether. The basic regulation in effect then is still valid--the "Decree on the Further Perfection of Economic Accounting on the Basis of the Plan."<sup>15,16</sup>

The six headings of the main sections of this decree were described as "main trends" in a commentary by the State Planning Commission.<sup>17</sup> Since early 1983 the GDR has been issuing many other new regulations (a list of selected regulations may be found in the attachment). Not taken into account are almost 50 new price regulations published this year. In addition to some important national regulations with specific application to management and planning, the majority of this year's measures again refers to the business management sector. The important cross sectional problem of prices and finances needs to be dealt with separately. A general explanation of the "new steps" of intensification emphasized by Guenter Mittag therefore concerns three significant sectors:

- (1) Changes in the national sectors of management, planning and balancing, specifically with regard to centrally assigned performance indices;
- (2) Changes in the business management sector, especially within the scope of the "further perfection of economic accounting." In the foreground here is the improved economic stimulation of the enterprises and combines coupled with increased efforts--strengthened by new index variants--for the most conservative management as well as checks, performance comparisons and enterprise-internal analyses of weak points, because earlier results have turned out to be unsatisfactory. A special additional key point is the introduction of a new economic lever in the guise of the "contribution for social funds."<sup>18</sup>

- (3) As regards the changes in the cross sectional sector "prices" and "costs," we are primarily dealing with another--but this time apparently particularly serious--stage of "price adjustment" of industrial prices. To be noted here are reciprocal effects and interrelations with the agrarian price reform which will be discussed by my colleague Karl Hohmann in the report following this one. Changes in depreciations deserve to be considered both from the management and the price aspect. Reactions to the introduction of a new economic lever are also immensely interesting, especially with regard to the narrowing of profit margins.

## II. Management, Planning and Balancing

### 1. Central Planning and Balancing

A basically centralist trend is the unchanged guideline in the first sector I mentioned with regard to management, planning and balancing. This is also to be noted in Guenter Mittag's latest statements at the Economics Research Conference.

They are only apparently contradicted by changes in the place value of some main indices of performance appraisal for combines and enterprises, especially the emphasis on the main index figures net production and net profit as the main criteria of enterprise performance appraisal. As before, at the time of the economic reform known as the "new economic system of national planning and management" in the GDR in the 1960's, the shift of emphases in the framework of management indices may again arouse wrong notions in the West about the extent of the changes wrought by the new "reforms" in the GDR. Possibly this may be quite deliberate in view of the definitely unfavorable economic situation in the GDR and the necessity of more loans.

Some remarks seem appropriate with regard to earlier developments. The five-year plan for the first half of the 1980's was designed better than the 1976-1980 Plan to operate as a stable "chief controlling tool" of the economy. Allegedly for the first time in the GDR's economic history, the plan had been drafted and confirmed by the combines.<sup>19</sup> However, in the course of the five-year plan since 1981, many changes arose each year in the form of supplements or amendments. The exchange of separately published partial sections of the plan methodology in particular (special issues of the GBl /GESETZBLATT/ of the GDR raised serious questions about the intended stability as early as the first half of the five-year plan.<sup>20</sup> Even in the SED's opinion many planning problems are considered unresolved at this point. Last year, for example, Harald Rost, deputy chairman of the State Planning Commission, discussed the problem of structural changes and frankly stressed the fact that some "even theoretically still unsolved problems" were arising with respect to the question which "production and export lines should be promoted, ... cut or even discontinued."<sup>21</sup>

Nor was it possible in recent years to miss the noticeable increase in the importance and influence of materials balancing, that is the "sustaining scaffolding of the plan"<sup>22</sup> from the GDR standpoint. A SED Politburo resolution of 4 November 1980<sup>23</sup> raised the already prevailing relatively strong concentration of central balances to the extent that, currently, more than three quarters of production are centrally determined in the form of balances.<sup>24</sup> This reinforcement of the material element of planning at a time uncertain from the aspect of economic policy might



indeed be described as the GDR's traditional prescription. The combines are assigned "set balances and balance directives" by the "balance responsible central state organs," normally ministries,<sup>25</sup> in order to safeguard the most conservative variants of economic proportionality. Such a more rigorous rationing and allocation allows material "compulsory savings" in the combine to be effected at a very early point in the plan drafting process, additionally aided by the "voluntary" compulsion to return a percentage of material funds in the socialist competition. Another heading to be mentioned in this connection are the state orders, defined as "state plan decisions, that call for a legally mandatory and inescapable action by the parties concerned. this state authority is based on corresponding demands on the plan decision. Particularly advanced requirements are to be made on coordination, balance observance and realism."<sup>26</sup> In this management and planning structure, therefore, the combines are allotted a de facto far less independent role than usually asserted in GDR literature. One of Guenter Mittag's well formulated challenges at the above mentioned economics research conference in East Berlin last September, for example, ran like this: "To lift to a higher level the responsibility of the industrial ministers for the work in their scope and to decisively improve their handling of management."<sup>27</sup> Similar indications were already noted in the late 1970's.

We have another indication of the shift in emphasis (in my view it is very obvious): The accent is on the formulation of the draft economic plan by ministries; this has replaced the slogan of drafting by combines.<sup>28</sup> According to Mittag, this shift in responsibilities makes it possible to "draft the economic plan by ministries and, over and above this, by combines." Only this linking of the state plan with those, who get the assigned plan targets allows the "orientation to qualitative indices,"<sup>29</sup> more accurately to net profits. The question also arises in how far this shift in emphases represents the SED's response to what it considers the unduly great powers of the combines. Of course nobody disputes the de facto authority of some GDR top combines or top managers vis-a-vis the economic leadership. A prime example to be mentioned is the Carl Zeiss Jena VEB and its general director Biermann.

## 2. Change of the Main Indices

It needs the background sketched here to provide a realistic view of the latest transformation wrought in the plan indices. The phantom of a single artificial index figure as the yardstick of accurate enterprise performance appraisal has been unsuccessfully pursued by almost all socialist CEMA countries for many years.<sup>30</sup> An enormous volume of publications and calculations by economists (not only GDR economists) is available.

The GDR endeavored above all to use the plan section "efficiency of social production" to develop "comprehensive evidence of efficiency" ever since the introduction of a summarizing planning order for the years 1976-1980.<sup>31</sup> Efficiency is therefore interpreted "as the ratio between results (effects) of labor and labor costs." In a dissertation at East Berlin's Humboldt University, "On the Problems of the Improvement of Economic Efficiency Planning (with special consideration for efficiency and investments)," Ingeborg Lein<sup>33</sup> arrives at the conclusion that the new regulations do indeed offer "better opportunities for the assessability of future efficiency developments,"<sup>34</sup> but that thorough further research and more studies are needed due to many "critical points," "unresolved groups of questions"<sup>35</sup> and the lack of a "suitable index system."<sup>36</sup>

To be noted is the author's statement that "an important role (must be assigned) balancing as a method to render visible and evident the necessary proportions in the economic reproduction process."<sup>37</sup> Concerned GDR economists actually consider the evidential value of the index figure "net profit" to be limited, too<sup>38</sup>; they recommend a larger group of data to be used for performance appraisal.<sup>39</sup> The constant change in indices used in the course of recent years almost recalls an index roundabout.

This year's "Order No 4 on the Complementation of the Order of Planning of the GDR National Economy 1981-1985"<sup>40</sup> (31 March 1983) contains 3½ pages of extensive complementation and amendment<sup>41</sup> in the section on "Principles of the Planning Order."<sup>42</sup> Among others they set out four new "main indices"<sup>43</sup> of performance appraisal" to take effect at the beginning of 1984. The sequence is as follows:

"Net production  
Net profit  
Products and services for the public  
Exports."<sup>44</sup>

After earlier experiments with the indices of the net principle "own performance" and "end product" at the end of the 1970's, the indices "net production" and "basic materials costs per M100 goods production" had been introduced for the 1981 plan year as main indices in addition to industrial goods production.<sup>45</sup> In 1982 a Politburo decision added the index figure "exports." In 1983--for the first time in more than 30 years--a new regulation discarded "industrial goods production" as a main index figure of performance appraisal. Still, the entire range of indices, amounting to about 98 "state plan indices" (including 70 for the five-year plan), is listed in section "K" of the planning order.<sup>46</sup> Also to be found there are various other special indices for the various sectors of the economy; in view of their links with the main indices, these should certainly not be considered secondary indices. In 1983 this section was interchanged parallel with the publication of the above mentioned Order No 4 to the Planning Order<sup>47</sup> but not published; instead it was given the enterprises direct by way of a confidential group of distributors. It is therefore impossible to make any precise statements on the place value of the four new main indices and their interrelations. Moreover, Guenter Mittag emphatically affirmed that the gross index figure industrial goods production was generally being retained in the planning sector and, consequently, in plan settlement.

In connection with the explanations of the new main indices, Mittag<sup>48</sup> stressed that "the index figure 'industrial goods production' as a dimension of economic planning is not being changed." The growth of goods production would certainly not be neglected "in future either." Profit and loss must instead be better calculated and "the genuine performances of combines and enterprises...more comprehensively and realistically appraised"<sup>49</sup> by means of the index figure net production.

In general the index figure industrial goods production continues to be the computed starting basis for other data and for the "measurement of the production result"<sup>50</sup> with all the problems involved therein.<sup>51</sup> And yet the index figure industrial goods production has shown itself inadequate for the appraisal of the own enterprise performance, the recognition of materials conservation or, to take just one example, the assortment-appropriate plan fulfillment. Viewed from the GDR standpoint, most currently applicable indices display some advantages and disadvantages, even the new index figure "net production."<sup>52</sup> It must also be emphasized

that indices such as profit or net profit and the standardized enterprise result were never classified as "secondary indices" even in the past. In the course of the GDR's more recent economic history, they were more or less in the spotlight, sometimes strictly for ideological motives. Neither "adore" nor "underestimate" is the 1977 recommendation on the topic of products<sup>53</sup> found in a commentary on "efficiency."

Enterprise profitability and the earning of profits have always been a main target of the principle of economic accounting in GDR economics,<sup>54</sup> and profit was always a "necessary yardstick" of performance appraisal and basically irreplaceable as such by any other heading.<sup>55</sup> Without an accurate knowledge of the economic realities, the particular significance now assigned the index figure "net production" and, especially, the index figure "net profit," should certainly not evoke any euphoria and anticipated laurels as happened 20 years ago upon introduction of the index figure "profit" in the "new economic system of planning and management of the GDR economy."

I concur in Dr Hamel's doubts and, with her, believe that the GDR economic leadership will have a good deal of trouble to find indices making it possible to resolve the existing "contradiction between overall economic and individual economic interests in success."<sup>56</sup>

### III. Management in the Combine

#### 1. Contribution to Social Funds

The definitely most important and interesting of all 1983 management regulations is the initially mentioned new decree on the "contribution to social funds,"<sup>58</sup> discussed yesterday by Professor Thalheim in his report.<sup>57</sup> After more than 15 years this is the first showing of a new economic lever in the GDR's economic arsenal that has hitherto experienced several reorganizations but no genuine reform. The effects to be expected are quite substantial, but the details cannot yet be properly foreseen and may well have more than economic aspects.

The earlier development may be summarized in outline by just a few remarks. As we know, an expansion of the management arsenal by the introduction of other economic levers has long been contemplated, to operate analogous with the production fund tax, in the manner of a wage or manpower fund tax or an educational fund tax. The general principle of fund or resource taxes has been repeatedly debated--not only in the GDR either.<sup>59</sup> The topic manpower or wage fund tax received a special impetus by the discussion on combine management and the increasing manpower shortage.<sup>60</sup> Another important argument in the critical debate proceeding in the GDR was the underestimation of "live labor" in prices and costs.<sup>61</sup> GDR economists considered the main obstacle to the introduction of a wage fund tax to be the distorted price level and the additional price increases bound to follow. "A general price increase due to additional taxes," though, was "not to be thought of in socialism."<sup>62</sup> Also regarded as an obstacle was the differentiated make-up of gross wages. I am not able at this point to further examine the question whether the tightening of the wage system since 1976 may have yielded a possible prerequisite for the contribution to social funds.



The term "social funds" and some of the effects still to be discussed require a simplifying conceptual presentation. The social funds evolved as a reduction of the former term social consumption fund. Consumption funds are part of the national income consumer inside the GDR--in addition to the accumulation funds. In the linguistic usage of the GDR, social funds include that section that has recently been simplistically but effectively (in terms of propaganda) as "the second wage packet."

From the GDR standpoint every employed person receives one part of his earnings in the form of cash payments, in other words wages or salaries consonant with the service rendered. Another--indirect--part of his earnings is received in the form of free or indirect state services, such as subsidies for cheap essential foods or rents, social or cultural services of all kinds. In ideological terms the social funds represent a transitional stage between the principle of distribution by performance and by needs ("...it is no longer the principle of distribution by work performance...It is not yet the principle of distribution by needs").<sup>63</sup> According to the SED program their proportion is to grow faster than the sum total of wages and premiums, and this is confirmed by the statistics of the past few years.<sup>64</sup> This "second wage packet" is financed by redistribution from the state budget, in other words by the revenues of the centralized net income. In general both parts of employee earnings together make up the "real income" of an employee shown as planning dimension and in the statistics.<sup>65</sup> Measured by Western economic criteria and principles rather than by the GDR's concept of taxation, the contribution to social funds--considered from this aspect--ranks as an extremely high payroll tax (the same applies to other taxes, too).<sup>66</sup> To avoid misunderstandings, I am not going to use this term.

The regulation running to only 6 articles and headed "Decree on the Contribution to Social Funds"<sup>67</sup> as well as a first implementing regulation<sup>68</sup> is dated 14 April 1983. Another batch of measures concerning management in the combine is of the same date; these measures are more or less directly linked with the new regulation and include a changed financing directive,<sup>69</sup> a decree on the production fund tax<sup>70</sup> and an amended regulation on the performance fund.<sup>71</sup>

The preamble to the decree on the contribution to social funds lists as official objectives the higher value placed on live labor, the rational use of the social labor capacity and socialist rationalization.<sup>72</sup> Its scope basically includes the state combines and enterprises of centrally managed industry from the 1984 plan year on; the regulation thus does not apply to bezirk administered industry. The combines and enterprises of the construction industry will be included from the 1985 plan year on. Explicitly exempted are "combines and enterprises of the domestic and foreign trade of centrally administered industry and the construction industry."<sup>73</sup> Also affected are state organs "insofar as they must meet obligations as per this decree,"<sup>74</sup> whatever may be the interpretation in detail. With regard to the scope of the decree, it must be stressed that the economic sectors agriculture as well as domestic trade and transportation are excluded from the regulation and, as far as one can see at this point, are not meant to be included in the coming 2 years. This results in a split wage cost standard in the GDR's national economy. Article 2 of the decree, headed "Planning and Price Formation," spells out the guideline. According to Paragraph 1, the contribution to social funds "must be planned on the basis of a standardized normative at 70 percent related to the wage fund for blue and white collar workers in the respective year."<sup>75</sup>



In contrast to the amount of the production fund tax, this one forms "part of prime costs, industrial prices and, therefore, net production."<sup>76</sup> Admittedly, it is up to the Price Office to decide the extent to which it may be included in the calculation of prices as a cost factor. The basis of reference is the "actually expended wage fund" of the enterprise (Article 3).

With a view to the new main index figure "net profit" it is important to point out that the "contribution" as an element of prime costs of "live labor" changes the value of net production by the increased wage cost rate. Paragraph 3 explicitly regulates constant prices at the consumer level. From 1 January 1984 settlement must proceed monthly; as a rule combine enterprises must pay the full amount to the combine and record it in accounting and statistics. As per Article 3, the enterprise payments are centralized at the combine and--analogous to the settlement account "centralized net profit"--the obligation of direct payment of the "contribution" lies only with the combine vis-a-vis the state budget. Enterprises not part of a combine pay the state budget direct.<sup>77</sup> Particularly interesting are the stricter regulations in the case of delay or failure to pay. It is explicitly pointed out that the legal regulations on the imposition of default surcharges and a "budget enforcement procedure" must be followed in the case of incorrect settlements or payment delays.

All three editions of the economic dictionary 1966-1978 do, though, comment the budget enforcement procedure as being "devoid of much practical significance" due to the strengthened budget discipline.<sup>78</sup> If divergences arise from the basis of reference of the actually expended wage fund, they may be made up in the subsequent month. However, in conjunction with a great number of instructions on strict supervision in combines and enterprises, we may conclude that their payment ethics leave a great deal to be desired, and poor experiences are bound to prevail in economic practice. After full 6 months from publication of the regulation, a direct commentary on the decree on the contribution to the social wage fund is still lacking. No more than 12 lines were devoted to it in the (consecutive) brief commentaries on new legal regulations in the GDR periodical NEUE JUSTIZ.<sup>79</sup> It is rather striking, though, that relatively more publications are now dealing with the topics wage costs, prime cost reduction taking into account "the full expenditure of live labor"<sup>80</sup> and general issues concerning the "utilization of the enterprise and social labor capacity."

## 2. Other Economic Measures

In addition to amendments to the planning order and enterprise planning, to the skeleton directive<sup>81</sup> and the above mentioned group of regulations, the GDR published a series of other regulations on combine management dated 14 April 1983. To be identified as general guidelines by the GDR economic leadership are a correction of the management arsenal in the meaning of greater emphasis on thrift and efforts for achieving rationalization without much investment. To be mentioned among the catalogue of selected regulations (without claiming either completeness or priorities) are the following: The earlier mentioned measures such as the new decree on the production fund tax including implementing regulation, the new financing directive and a decree on the performance fund, also amended after just 1 year. Important in connection with the contribution to social funds is the introduction of a state sales surcharge.<sup>82</sup> Nor may we omit mention of stricter rules for enterprise reporting<sup>83</sup> as well as a regulation on the review and revision of the standardized period

of utilization and rates of depreciation for basic assets.<sup>84</sup> New rates of depreciation are announced for the first quarter 1984.<sup>85</sup> Changes in the regulations on the financing of enterprise circulating assets<sup>86</sup> were published, and the circulating assets of enterprises revalued.<sup>87</sup> Still awaited is the revaluation of basic assets, that is machinery and equipment. In general the normative production fund tax is now more flexible though stricter, in particular by penalties that are more staggered than hitherto. A basically similar principle also applies to the performance fund and the financing directive.

All regulations emphasize the general orientation to the new index figure "net profit" and, in the spirit of the 1982 decree on the perfection of economic accounting, a tight and strict discipline with respect to payments to the state budget represents the main motive. The possibility of a legally fixed and compulsory automatic debit entry by the State Bank (for example in case of payment delays or underfulfillment) spotlights earlier weaknesses and confirms the suspicion expressed in another context that the payment ethics of state enterprises appear to be rather slack. On 1 January 1984 the price equalization fund<sup>88</sup> is to be replaced by the regulation on the state sales surcharge. The sales surcharge is granted as compensation for exceptionally large revenue reductions or losses innocently suffered by combine enterprises. In the first place, though, the losses must be justified by the combines; initially they are debited against the centralized net profit but in principle a temporary sales surcharge may be granted. The enumeration of currently possible damage to the economic accounting of an enterprise in this regulation describes as follows the financial extent of subsequent effects expected by the GDR economic leadership by 1 January 1984:

- (1) By the introduction of the contribution to social funds,
- (2) By the effects of "planned industrial price changes,
- (3) By the agrarian price reform,
- (4) By the abolition of product-related stimulation surcharges.

Comparable indications may be found in the amending regulations to the planning order.<sup>89</sup>

According to a commentary by Pflicke, an influential business lawyer in the GDR, the new measures of economic accounting will raise the challenges to the enterprises as "one of the aspects of the extensive measures for the perfection of the system of economic management,"<sup>90</sup> and they will "become harder."<sup>91</sup>

#### IV. Costs and Prices

A prime sector of the regulations enacted in 1983 is currently being dealt with very cautiously; this is the change in the cost and price structure to take effect in early 1984, mainly as a consequence of the causes mentioned earlier in connection with the sales surcharge. The 1982 basic regulation on economic accounting has few general remarks on the topic of prices. Their significance for the GDR's reorganization measures is evident in the latest edition of the price law in effect. In the main section "General Price Law," they are explicitly listed as measures for

the "planned formation of prices."<sup>92</sup> Official commentaries on the price changes from 1 January 1984 on are lacking; generally there are no concrete data on the roughly 50 new price regulations enacted for 1 January 1984. In 1982 the numbers of price regulations were even greater. We may merely assume from the connections between the various measures and explanations, that the effects of the industrial price revision and other price regulations taking effect in January 1984 will apparently exceed the extent of changes in recent years. Disregarding the published price regulations, Order No 4 on the Complementation of the Planning Order 1981-1985 is among the few direct new regulations on price formation. According to this the enterprises will be assigned price change ratios for the prices and performances changed as of 1 January 1984.<sup>93</sup> Other indications may be gleaned from the section on "financial and cost planning."<sup>94</sup> The changes are clearly geared to the new index figure "net profit."

"Planning for the greatest possible increase in net profit as the concentrated financial expression of efficiency must be the focus of financial and cost planning. The planned costs must agree with the state assigned standards and normatives, the balance shares and quotas."<sup>95</sup>

This demand underlines various defects in actual business practice. In a recently published interview, Gerd Henneberg, director of the GDR State Audit Office, complained that enterprises were still trying "to obtain unwarranted economic benefits by excessive planned costs."<sup>96</sup> Against this background, explained here by way of only a few examples, we come to understand the expressly decreed analyses and checks by the ministries as well as more detailed instructions on the calculation of new industrial prices. In this context we must take note of the fact, in particular, that standardized profit ratios--to be fixed anew--are assigned the state authorities by the Price Office to include "temporarily fixed extra profits and profit surcharges,"<sup>97</sup> and these are not--or no longer--to take into account "the profit shares and calculable savings included in the hitherto valid industrial prices."<sup>98</sup> The instructions in the complementations to the planning order record similar instances of efforts like those of the sales surcharge and to be taken into account in the course of planning:

"The effects of the

- Planned industrial price changes for 1984,
- Changes of producer prices for agrarian production in 1984,
- Industrial price changes arising for the enterprises and facilities of agriculture due to the taking effect of new industrial prices as of 1 January 1984, with the exception of the planned industrial price changes as of 1 January 1984 (hereinafter described as abolition of the protection of agriculture),
- Abolition of the product-related stimulation surcharges."

A new order on upper limits for costs and prices, also dated 14 April 1983,<sup>100</sup> sets out in detail and in connection with the 1982 tasking workbook decree<sup>101</sup> the criteria and methods to determine the limit of prime costs and prices as well as guidelines for the absolutely necessary proof of their observance. Particularly informative are some consequences of the new decree because--disregarding some other regulations--these instructions replace or render ineffective many other earlier provisions of the 1976 central state calculation directive on the formation of industrial prices,<sup>102</sup> <sup>103</sup> and thus may give rise to quite significant changes in the calculation of prices.<sup>104</sup> Also deserving of special mention is the circumstance that,



for the first time, the skeleton directive for enterprise planning includes an independent liquidity plan by way of the earlier mentioned new amendment order. As a consequence, enterprises and combines will have to exercise supervision so as to safeguard their financial liquidity.<sup>105</sup>

To be noted briefly are the internal enterprise connections with the circulating asset plan, the normatives of inventory keeping or issues of payment ethics. Guenter Mittag's critical remarks at the SED CC seminar with the general directors of combines, held in Leipzig in spring 1982, already indicated that "some of the combines and enterprises still treat rather cavalierly the work with costs, and this gives rise to major economic losses."<sup>106</sup>

The extent of the enterprise price transformation to be taken into consideration may be illustrated by way of an example. In one converted combine, some 80,000 new settlement prices had to be formed for the products and performances of internal cooperation in the combine.<sup>107</sup> Remarks about excessive incidences of mistakes and "losses" are therefore not surprising. Any appraisal of the extent of the new stage of revision of industrial prices as of 1 January 1984 is extremely difficult. Average price changes in the production consumption of the past five-year plan period through 1980, computed from official statistics, had recorded values of more than 20 percent.<sup>108</sup> The GDR itself officially provided for a 2 percent annual rise in the prices of energy sources in the system of planned price changes through 1985.<sup>109</sup> A year ago it was already apparent that this rate was far too low. According to my colleague Karl Hohmann's studies of the agrarian price reform (see the next report),<sup>110</sup> increases in energy prices to farming alone amount to much, much more than the 2 percent officially planned, in some cases to several hundred percent. The data of the budget account also provide an indication (albeit not much of one) for price increases in 1982. While the expenditures of the so-called price equalization fund amounted to just under M0.66 billion in 1981, they achieved almost M1.68 billion in 1982.<sup>111</sup> This represents a rise in excess of M1 billion in just 1 year. Now that agrarian prices are also being revised as of 1 January 1984, the cost and price calculation in connection with the changes of wage costs are lacking only a standardized revaluation of fixed assets, that is the outstanding redefinition of the gross value of plant and buildings. According to GDR statistics, the present valuation basis dates back to 1966. The GDR economic leadership seems repeatedly to have postponed this very complex and laborious undertaking. It remains to be seen whether the new and reduced depreciation rates mentioned earlier and given in a new and comprehensive register, will include some corrected valuations.

The increased place value of the index figure "net profit," the simplification and greater flexibility of the criteria for incentives following the renewed correction of the performance fund, the introduction of a contribution to social funds, and so on, in order to correct costs set at far too low a level, as well as the effects of the agrarian price reform taking effect on 1 January 1984 do more than suggest that the GDR economic leadership expects a much improved basis for price adjustment from 1984 on, as the prerequisite for smooth cooperation by means of a changed economic arsenal. Consonant with the criteria of price formation in the agrarian price reform, some future industrial price increases (taking effect in the next year or so) have already been taken into account for the formation of agrarian prices. In principle 1984 costs and prices should be adequate to the needs of a proper mathematical basis and the prerequisites for a satisfactory planning "tool"

for the new five-year plan through 1990, because the GDR economic leadership is unlikely to have included serious planning mistakes. Nevertheless we must ask ourselves whether--going by the GDR yardstick alone--the price corrections so far adopted will be even remotely enough or will merely deepen existing deficiencies.<sup>112</sup>

## V. Problems and Consequences of the New Regulations

### 1. Financial Implications in the East-West Comparison

The consequences of the new taxes for social funds (considered a payroll tax from the Western standpoint) are extremely complex. Their extent can currently be estimated only by dimensions, and that goes for enterprises as well as for the state budget. Significant with regard to the new tax for social funds are primarily the volume it is expected to yield to the state budget and the increased cost to industry arising from the 70 percent wage cost surcharge. To arrive at a rough estimate of the dimension of the total of all wage funds affected, it is enough to consult the number of employees in centrally administered industry and the amount of the average earnings of a production worker in state-owned industry. According to GDR statistics this amounted to M1,066.00 in 1982.<sup>113</sup> Assuming the same annual growth rates as before (1.5-2 percent), it should come to about M1,100.00 in 1984. A 70 percent tax thus implies M770.00 per employee. The GDR cites 1982 employee and enterprise figures as 133 combines of centrally administered industry, 93 combines of bezirk administered industry and roughly 3.2 million employees.<sup>114</sup> If we assume (as the minimum) 2.6 million employees in centrally administered industry, the revenues from the tax for social funds will run to more than M2 billion per month or more than M24 billion per annum as the lower limit. Inclusive of the additional employee volume in 1985, when the construction industry begins to be affected, 1985 tax revenues should achieve about M27 billion.

Net profit tax payments by the enterprises amounted to roughly M42 billion in 1981.<sup>115</sup>

In 1982 they rose to an above proportional extent by more than 27 percent to about M53.6 billion.<sup>116</sup> (By way of comparison, the increase in the production fund tax amounted to barely 9 percent, in the production tax to about 2 percent.) We may estimate that 80 percent of the net profit payment to the state budget comes from centrally administered industry; this would mean around M43 billion for 1982. Consonant with these estimates, the volume of the new "tax changes" amounts to about half (or above) the total of former net profit tax payments to the state budget. Expectations of some financial rearrangement from the sector of net income to be centralized to the prime cost sector were thus somewhat confirmed. Apparently the future volume of profit tax payments is to be reduced at the time the contribution to social funds is introduced at the beginning of 1983.

According to a detailed report on the GDR's efforts at reform, published in the Hungarian party newspaper FIGYELO of 25 August 1983, profit margins in the GDR are to be narrowed to an average of 10 percent in the course of the changes.<sup>117</sup>

Considering the current (estimated) at least 15-16 percent average profit margin,<sup>118</sup> and without underestimating the large variation between about 12 percent and 30 percent, the reduction would amount to more than a third of the net profit volume for 1984. However, the new tax may yield even larger revenues to the state budget.

On balance the GDR might expect an "extra profit" for the state budget following the transition to a four-channel system. Consequent on the changed cost structure, many enterprises will doubtlessly experience hardship in fulfilling the main indices net profit and net production, and the pressure to rationalize is thereby increased. A smaller profit volume calls for greater profitability. Critics in the GDR had repeatedly called for just such a compelling force. The potential for manipulation is decreased by a massive "strait jacket," made up of various planning and balancing factors. As various current measures illustrate,<sup>119</sup> the network of controls has been tightened considerably. To some extent this also provides an answer to the important question whether and what cost increases are going to confront combines and enterprises, and what the possibilities will be for picking up costs.

From Western managerial aspects, a 70 percent general or even partial wage cost increase would necessarily result in a wave of bankruptcies, because an adequate rearrangement of major cost categories (as in the GDR combine) is impossible. However, we do seem justified in asking whether it is really by sheer accident that the GDR's economic leaders arrived at this particular amount of the contribution to social funds--so very similar to the percentage of current personnel surcharges in the FRG economy. Of course there is not the slightest chance of assuming the comparability of the two dimensions; it is just the formal amount of 70 percent, that is an agreement.

According to calculations by the Institute of the German Economy, this year personnel surcharges in the FRG are amounting to more than DM78.00 per DM100.00 wages.<sup>120</sup> In fact the weight of these costs has risen much faster in the FRG than did wages; the latter increased about 2.5-fold since 1969, while personnel surcharges grew 4.25-fold. The situation of GDR enterprises is quite different, because there (at least initially) we are seeing primarily a cost rearrangement that does not strain the fabric of the enterprises. Basically the combines should expect a shift from the sector "centralized net income" toward anterior, plannable and calculable costs. At the same time it is indeed quite possible that additional receipts are expected from the total of the changed framework conditions.

## 2. Comparative Aspects With Regard to Cost Reductions

This example is well suited to demonstrate how much caution we need in dealing with apparently similar business management actions and results of this kind in the East-West comparison. A concrete example is presented by the 1982 revenues from the net profit tax (a 27 percent increase) in the budget account the GDR published on 28 October 1983.<sup>121</sup> They cannot be simply considered proof of the sharply increased economic strength of the GDR by comparison with the previous year, because to be taken into account in addition to enterprise savings is a rigorous and centrally determined regime of conservation complete with strict directives and also (though to a lesser extent) indirect control factors.

- (1) Various material "forced savings," decreed by the state by way of planning and balancing, may well result in massive, centrally controlled cost reductions and, thereby, necessarily result in short-term rises in profit.

A simple example from the GDR's most recent past is provided by the drastic cuts in gasoline or diesel fuel allocations, centrally decreed for most vehicle parks, amounting in some cases to 50-60 percent; also the shift of freight from road to rail; this rarely happens without losses being incurred.



- (2) The system of price formation by the price/performance ratio<sup>122</sup> and the additional profit thereby made possible for the producer hitherto permitted the temporary retention of the original prices and, consequently, the retention of extra profits if enterprise costs were significantly lowered. As a result, some well managed or even only skillfully calculating combines appear quite often to enjoy large additional profits.
- (3) More differentiated but, in the final event, no less lasting may be the impact on net profits of import restrictions or cuts<sup>123</sup> with regard to materials, the decreed partial conversion to domestic raw materials or secondary raw materials and similar savings.

An example taken from the management practice of the GDR's shoe industry may illustrate respectable cost reductions and possible increases in profits. The explanations for several of the principles listed above (1) - (3) are provided by examples from this management practice, and the same may be claimed for the evidence of large successful savings with regard to materials headings in the economic plan fulfillment report.

in 1982 several "objectives"<sup>124</sup> for the coming year regarding an intensive savings strategy were decreed for the development and organization of products in the Shoe Combine VEB. The "development key points" for 1983 were concerned primarily with the replacement of imported materials and the greater refinement of domestic raw materials and other materials. The former materials utilization rates, for example, were "to be raised by 5-7 percent for all kinds of materials."<sup>125</sup> The production of shoes formerly made of cowhide is now to be converted to pigskin. The targets for the 1983 plan year were "purposefully to develop the maximum proportion of unlined and partially lined models."<sup>126</sup> Materials heretofore considered second rate were to replace expensive materials, "substitutes will be used."<sup>127</sup>

"The leather industry processes a large amount of suitable lining leather (especially cowhide, calf and goat skins) into leather for uppers. To be included are skins of small animals, such as sheep and lamb. To be pushed is the use of pig lining leathers, splits and skivers. PVC and rubber are to be conserved by raising the proportion of filler in molded soles.

Preservation of the visual quality of molded and system dyed polyurethane soles for the conservation of dipping varnish and man hours."<sup>128</sup>

Other savings are expected by way of the partial omission of "stiffening components" in the shoes. These are just a few instances from management practice to serve as examples of the qualitatively changed background against which we must consider radical cost reductions and the intensive drive for conservation in the GDR by comparison with Western businesses.

### 3. Effects of the New Measures

Immensely interesting consequences may be discerned from the effects of the new measures enacted by the GDR economic leadership, primarily the contribution to social funds by raising personnel costs or the changed efficiency ratio of capital to labor by--for example--reduced capital costs or diminished (because extended) depreciations or other examples in the course of new measures for the combines and



enterprises of the GDR's centrally administered industry from early 1984 on. Up to now we have no direct commentaries and only a few published comments from the GDR proper. However, various recent studies do deal with some of the issues involved, such as the "undervaluation of live labor," performance appraisal of labor or issues of wages and premiums.<sup>129</sup>

In the following I will broadly subdivide some of the possible effects by two main aspects: "Undervaluation of the labor factor" and "change in the cost structure and price formation." Obviously these two main aspects overlap to some extent.

#### A. Undervaluation of the Labor Factor and Increase in Personnel Costs

The most significant effects (among others) are:

- (1) The improved utilization of the labor force in relation to skills.
- (2) In the view of GDR managers, a general pressure for personnel reductions, primarily in the administrative sector but also directed against manpower "hoarding."
- (3) The reduction of "financial restraints" to the freeing of manpower, because hitherto the financial cost of getting rid of an employee tended to correspond to his average annual wage and might even exceed it.<sup>130</sup>
- (4) Raising the price of the labor factor strengthens the rationalization pressure, the efforts to reduce costs by extending shift work, more intensively utilizing plant or having one operator for several machines.
- (5) In addition to increasing the effort to rationalization, a basic change in the labor/capital cost ratio also has consequences for manpower saving investments. Basically this response by enterprises and combines corresponds to the actions or reactions to rising wage and, especially, benefit costs in Western corporations.
- (6) The introduction of a split wage cost standard within the GDR economic sectors is bound to considerably vitiate the currently very highly esteemed performance comparison.
- (7) A significant beneficial factor is the approach to a relatively reasonable comparative basis for costs in the production comparison with international criteria, prescribed for new products in the GDR.

#### B. Change in Cost Structure and Price Formation

- (1) The new measures will tend to offer more encouragement to more accurate enterprise costing than constant verbal admonitions such as "he who wants to reduce costs, must first know them!"<sup>131</sup>
- (2) New cost proportions and possibly narrower profit margins ought to produce greater interest in even minor cost reductions.

- (3) Coordination with other measures leaves much to be desired. For example: The centrally decreed extension in the utilization of plant is bound to increase the total of maintenance work. However, maintenance in the GDR is particularly labor intensive. Possibly the increased personnel costs might cancel out all savings arising from the extended period of use, and the hoped for cost savings will therefore not materialize.
- (4) The expanded principle of narrower profit margins corresponds to the principle of the strict rationing of financial means in the VEB. This restriction on profits will surely not fail to affect the combine funds financed from net profits, such as the investment fund, premium fund, performance fund and reserve fund of the combine or the discretionary fund of the general director. This should result in a shortage of money for internal rationalization aid construction and have an adverse effect on the motivation of the labor force and output growth.
- (5) In price formation the labor factor has so far been directly charged against wage costs (calculated standard wage) including some benefits such as the enterprises' share in social security payments and the payments to the cultural and social fund. The amount of the centralized net income in the price is centrally preset for the enterprises. It is bound to remain very doubtful whether and how the combines succeeded within such a very short time to calculate new prices, because the new 1984 economic plan--required already to be based on the new prices--had to be submitted by the end of the year. Given this short delay, we must expect many opportunities to have arisen for the utilization of enterprise circumstances.

Basically all the examples mentioned here must be understood as representing merely the tip of the iceberg.

## VI. Critical Appraisal

Looking at the measures enacted for the three main sectors, their translation into greater productivity and improved products should be guaranteed.

Very modest results emerge from the intermediate balance sheet of the GDR economic leadership's efforts to improve the effects of economic controls by modified framework conditions, drawn up halfway through the current 1981-1985 Five-Year Plan. Nor is the result free of contradictions. In general we must doubt that the coordination of measures within the economic mechanism--called for in the GDR also--has been satisfactorily accomplished. Going by developments since 1982, some matters have obviously been left to the "trial and error principle." Preoccupation with the index figure "net profit" offers a particular advantage here, as shown by the example of the changes in the criteria for allocations to the performance fund. It manages to catch the sometimes confused results of these rearrangements with relatively fewer problems than would a bunch of specific indices. Unanswered, on the other hand, is the question whether we are possibly seeing an experimental phase complete with more incipient reforms prior to the new 1986-1990 Five-Year Plan. Evidently the GDR is concerned significantly to improve one of the weakest points of its reforming efforts, the "cost and price" sector. As regards this crucial factor, so immeasurably important for all reforms, it is currently possible at best to speak of a relatively improved compromise compared with former years. The disadvantages of this unsolved and system-inherent central problem of the GDR economic system

continue to act as obstacles to efficiency. The GDR's situation is characterized by financial difficulties, inadequately managed structural problems and, measured by international standards, a growing innovation gap. No rapid improvement is in sight of all productivity factors relevant to the economy in direction of the speedier removal of existing functional weaknesses and retardants. True, the GDR economic leadership this year abandoned the policy of simple reorganization measures in favor of attempts at reform. Nevertheless, in crass contrast to these efforts, it promoted strict central administrative management elements in the economic system. Only isolated rudiments of reform are to be found in the GDR's current "tool register," no effective conception is discernible. Reduced to a rather simplistic comparison, the GDR's current measures are like the attempt to design a "Trabbi Quattro."<sup>132</sup> This betrays the conviction that it might be possible to obtain the necessary progress by "grafting" some elements--partly tested in the past and therefore promising of success--on to the Trabbi, thus converting it to a racing car. For one, conversion problems are harder to settle than those involving a new design. For the other, the strain does not come in the wake of the changes but is intrinsic in the basic model. Would four-wheel drive by itself represent reform? This could be claimed at best for a basic model adapted to the new conditions. However, nothing now indicates the existence of such a constellation.

#### FOOTNOTES

1. On the detailed objectives of economic strategy see the semi-official summary by Helmut Koziolok in the series "Topical Economics" with the heading "Our Economic Strategy," published in East Berlin 1982. Helmut Koziolok is director of the Central Institute for Socialist Management at the SED CC.
2. See Karl C. Thalheim, "Topical Regulative Problems of the GDR Economy," in Gernot Gutmann, Karl C. Thalheim, "The GDR Economy and Economic Policy in the Sign of Uncertainties and Hazards," Part I, Ninth Symposium of the Research Agency, reports on 17 November 1983, pp 23,54.
3. See Otto Reinhold, "Intensively Expanded Reproduction--A Revolutionary Process," EINHEIT No 8/ 1983, pp 719-724.
4. Ibid, p 723.
5. Ibid.
6. These are Reinhold's actual words (pp 722/723): "It responds to the fundamental appreciations of materialist dialectic that this process of 'fundamental changes' cannot be a smooth process nor always distinguished by complete harmony. It responds to the nature of this dynamism that unforeseeable problems, not always immediately feasible tasks and many contradictions should arise. As we see, old methods of the management and planning of the economy are bound to conflict with the new demands of intensively expanded reproduction and must, therefore, be gradually further developed and perfected. For the longest time the types of material interestedness were primarily oriented to quantitative growth. Now, though, it is imperative to focus on qualitative growth and efficiency so as to ensure quantitative growth.

At times the concept of the stability of the socialist system is interpreted as the unalterable adherence to old ideas. If we start from the assumption that the organization of the developed socialist society in general and the transition to intensively expanded reproduction in particular represent a profoundly revolutionary process, it follows that this process cannot objectively operate without contradictions."

7. Ibid.
8. See the reports by Gernot Gutmann and Karl C. Thalheim, as before.
9. See "Collaboration by Economists in Research and Practice Strengthens the GDR," NEUES DEUTSCHLAND, 1/2 October 1983, p 1.
10. "Economic Strategy of the Party--Clear Concept for Continuing Growth," Guenter Mittag, "Our Economic Policy Serves the Prosperity of the People and Peace," NEUES DEUTSCHLAND, 30 September 1982, p 4.
11. Guenter Mittag, "The Economic Strategy of the Party--Clear Concept for Continuing Growth," EINHEIT No 11/1983, pp 1009-1012.
12. Ibid, p 1016.
13. In the full text of his report published in mid-November 1983 (all earlier texts were either summaries or excerpts), Mittag justified this demand as follows: "At the Fifth CC Plenum, the general secretary of our Party's CC explained that the standard of labor productivity achieved in the GDR is higher than in Italy and on about the same level as in Great Britain. Compared with other capitalist countries such as France or the FRG, we lag behind by up to 30 percent. We cite these figures to show what we have achieved and, simultaneously, to make perfectly clear how much remains to be done. It is quite obvious that we do not wish to measure ourselves by the general average but by the highest criteria." Source: "Oekonomische Strategie der Partei--Klares Konzept fuer Weiteres Wachstum. Wirtschaftswissenschaftliche Konferenz der DDR im Karl-Marx-Jahr 1983 am 29. und 30. September in Berlin" /Economic Strategy of the Party--Clear Concept for Continuing Growth. Economics Research Conference of the GDR in the Karl Marx Year 1983 on 29 and 30 September in Berlin<sup>7</sup>, East Berlin 1983, p 75.
14. See Kurt Erdmann, "National and Management Economic Conceptions in the GDR Between the Need for Reorganization and Indifference to Reform," in Kurt Erdmann, Wolfgang Seiffert, Karl Hohmann, "The GDR Economy Beset by Bottlenecks and Instabilities," Part II, Eighth Symposium of the Research Agency, Reports on 19 November 1982, pp 5-57.
15. GB1 DER DDR, Part I 1982, No 3, pp 85-92.
16. The term "economic accounting" is to be interpreted as an economic classification and comprehensive method of the planned management of socialist enterprises with the objective of conservative and profitable management. Economic accounting is not the same as expanded accounting.
17. See Attachment 2,.



18. See Section III of this article.
19. See Collective of Authors, "Handbuch der Planung fuer Kombinate und Betriebe. Industrie" [Manual of Planning for Combines and Enterprises. Industry], East Berlin 1982, pp 29/30/
20. See "Survey on Legislation in the First Quarter 1980," NEUE JUSTIZ, East Berlin, No 5/1980, p 219.
21. Harald Rost, "Demands on Economics Research in the Field of the Management and Planning of the National Economy," in "Economics Research Tasks After the Tenth SED Congress. Conclusions for Economics Research," in "Following Up on the Tenth SED Congress. 33d Conference Meeting of the Scientific Advisory Council on Economics Research at the GDR Academy of Sciences on 2 June 1981," TREATISES OF THE GDR ACADEMY OF SCIENCES, Department Publications by the Scientific Advisory Councils W2/1982, East Berlin 1982, p 21.
22. Ibid, p 22.
23. See Gerhard Schilling, "On the Challenges and Trends to the Ongoing Perfection of Planning and Economic Accounting," in "Economics Research Tasks....," as before, p 42.
24. Harald Rost, "On the Perfection of Materials Balancing," DIE WIRTSCHAFT No 4/1982, p 17.
25. Gerhard Koehler, Hans Fuelle and Karl Pinkau, "Materielle Bilanzierung" [Material Balancing], East Berlin 1982, p 63.
26. Rudolf Streich, "Challenges to Legal Regulations by Comprehensive Innovating Processes," WISSENSCHAFTLICHE ZEITSCHRIFT, Bruno Leuschner College of Economics, East Berlin, No 4/1982, p 11.
27. Guenter Mittag, "Economic Strategies...? as before, p 1007.
28. Ibid.
29. Ibid.
30. See, for example, the reports at an international seminar on planning and the measurement of the efficiency of social production, held in the CSSR in 1974. Collective of Authors, "DDR-USSR-CSSR: Effektivitaet in der Sozialistischen Produktion" [GDR-USSR-CSSR: Efficiency in Socialist Production], East Berlin 1975, p 256.
31. See "2. Planning of the Efficiency of Social Production," in "Planning Order for the GDR National Economy 1976-1980, Part I," GB1 DER DDR, Special Issue No 775a, pp 71-80.
32. See Hans-Heinrich Hinze, Hans Knop, Eberhard Seiffert, "Volkswirtschaftsplanung" [Economic Planning], second revised and expanded edition, East Berlin 1978, pp 451-454.

33. See Ingeborg Lein, "On the Problems of the Further Development of Efficiency Planning from the National Aspect," WISSENSCHAFTLICHE ZEITSCHRIFT DER HUMBOLDT UNIVERSITAET ZU Berlin, social science series, No 4/1983, pp 383-387.
34. Ibid, p 385.
35. Ibid.
36. Ibid, p 386.
37. Ibid, p 385.
38. "Of course the evidential force of the index figure 'net profit' is also limited. It is affected mainly by prices and their economically correct formation." Rudi Weidener, Albert Wetzel, "Kombinate Erfolgreich Leiten" [Successfully to Manage Combines], East Berlin 1981, p 226.
39. "That is why net profit should never be the sole criterion of performance appraisal but ought always to be used in conjunction with other indices....," *ibid*.
40. GBl DER DDR, Special Issue No 1122 of 15 April 1983 runs to 76 pages of complementations for the planning order.
41. *Ibid*, pp 2-5.
42. "Order on the Order of Planning for the GDR National Economy 1981-1985. Part A," GBl DER DDR, Special Issue No 1020a, 1 February 1980 (31 pages).
43. A footnote states the following: "For combines and enterprises of the Ministry for Transportation, the Ministry for Environmental Control and Water Management and the Ministry for Trade and Supply, the ministry and the State Planning Commission may agree specific indices." GBl Special Issue No 1122, as before, p 2.
44. *Ibid*.
45. See a comprehensive report by Kurt Erdmann, "Efficiency Problems in GDR Industry Without Appropriate Reforming Solutions," in Friedrich Haffner, Kurt Erdmann, Maria Haendcke-Hoppe, Erika-Lieser-Triebnigg, "GDR Reform Efforts in Theory and Practice," 6th Symposium of the Research Agency, Report on 21 November 1980, series FS-ANALYSEN No 6/1980, pp 48-54.
46. See "Order on the Order....," as before, Part "K", GBl DER DDR, Special Issue No 1020k, pp 11-36.
47. This order is published as per GBl Special Issue No 1122 (Order No 4 on the Complementation of the Order of Planning...) as GBl Special Issue No 1020 1 k.
48. Guenter Mittag, "Economic Strategy....," as before, p 1013.
49. *Ibid*, p 1011.

50. See Hans Peter Wolff, "Perfection of Performance Appraisal in GDR Industry," in Collective of Authors, "Leitung--Wachstum--Effektivitaet im Kombinat und Betrieb. 40 Beitrage aus Theorie und Praxis Sozialistischer Betriebswirtschaft" /Management--Growth--Efficiency in the Combine and Enterprise, 40 Contributions from the Theory and Practice of Socialist Management Science/, East Berlin 1982, pp 47/48.
51. On the problem regarding advantages and disadvantages see Willy Behrendt, "Performance Appraisal in Combines and Enterprises of Industry," in Gernot Gutmann (editor), "Das Wirtschaftssystem der DDR. Wirtschaftspolitische Gestaltungsprobleme" /The GDR Economic System. Economic Organizational Problems/, Stuttgart/New York 1983.
52. See Hans Peter Wolff, as before, pp 47-49.
53. "We are gearing ourselves to the long-term increase in the pressure for improved efficiency. Consequently the formulation of tasks for the improvement of efficiency and reduction of costs will have an even greater role in the economic planning process and all decisions in enterprises and combines. We should not, however, adore profits, because we produce for the smooth flowing improvement of the people's prosperity. Still, we may not underestimate them either." "Efficiency," DIE WIRTSCHAFT (A), No 22/1977, p 15/
54. See, among others, the three following sources: Ulbricht 1954, "Economic Accounting requires the working people to be...materially interested in the fulfillment of the profit plan." Walter Ulbricht, "Franken der Politischen Oekonomie in der GDR, 21. Tagung des ZK der SED, 12-14 November 1954" /Issues of Political Economics in the GDR, 21 SED CC Plenum, 12-14 November 1954/, East Berlin 1954, p 20; Berger/Reinhold 1966, "Profit obtained an important place in the new system of economic levers, because it was clearly appreciated that properly used profit, operating on the basis of the economic plan, represents a crucial link between the economic interests of society and those of VVB's /associations of state enterprises/ and enterprises." Wolfgang Berger, Otto Reinhold, "Zur den Wissenschaftlichen Grundlagen des Neuen Oekonomischen Systems" /On the Scientific Bases of the New Economic System/, East Berlin 1966, p 27. "Profit (the standardized enterprise result) is an important yardstick of the economic performances of the enterprise collective, a criterion of economic profit...and a means of economic stimulation..."; Collective of Authors headed by Dieter Graichen, "Sozialistische Betriebswirtschaft. Lehrbuch" /Socialist Management Science. Textbook/, fourth largely revised edition, East Berlin 1980, p 130.
55. Collective of Authors headed by Klaus Viertel, "Der Gewinn--Seine Grundlagen und Funktionen" /Profit--Its Bases and Functions/, East Berlin 1981, p 68.
56. Hannelore Hamel, "Reforms of the Economic Mechanism," in Gernot Gutmann (editor) "The GDR Economic System...", as before, p 43.
57. See Karl C. Thalheim, "Topical Regulative Problems...", as before, pp 35-40.
58. GB1 DER DDR I 1983, No 11, pp 105/106.



59. See Kurt Erdmann, "Efficiency Problems...", as before, pp 64/65.
60. See the amendment regulations of the planning order in section "N" on the freeing of workers in the "Order on the Drafting of the 1981 Economic Plan and State Budget Plan," GB1 I 1980, pp 202-204; also on the problem of manpower savings and freeing see, among others, Lothar Hummel, "On the Status of the Further Tasks for Gaining Manpower by Socialist Rationalization," in "On the Socialist Rationalization in Industrial Combines. Experiences and Tasks of Socialist Rationalization in Industrial Combines," 35th Meeting of the Scientific Advisory Council for Economics Research at the GDR Academy of Sciences on 26 January 1982, ABHANDLUNGEN DER AKADEMIE DER WISSENSCHAFTEN der Abteilung Veroeffentlichung der Wissenschaftlichen Raete No 45/1982, East Berlin 1983; Collective of Authors, "Arbeitsökonomie. Lehrbuch" [Labor Management. Textbook], East Berlin 1982, Section 2.2.3. "Rational Use of the Enterprise Labor Capacity," pp 176-187; Dieter Weger, Georg Wiedemann, "Ways to Save Workers," ARBEIT UND ARBEITSRECHT No 9/1982, pp 385ff.
61. See Horst Marx, Fred Natho, Uwe Moeller, Gerhard Schilling, "Die Wirtschaftliche Rechnungsfuehrung" [Economic Accounting], East Berlin 1981, p 165.
62. Hans Werner Stenzel, Hermann Uebermuth, "Finanzen und Preise. Grundkenntnisse fuer Betriebswirtschaftler" [Finances and Prices. Basic Knowledge for Managers], East Berlin 1978, p 59.
63. Collective of Authors, "Lehrbuch Politische Ökonomie. Sozialismus" [Textbook of Political Economics. Socialism], East Berlin 1972, p 363.
64. See Collective of Authors, "Labor Management...", as before, p 409.
65. Definition of real income: From the aspect of the use of real income...the monetary expression of the volume of material goods and services that the public is able within a defined period to acquire with its income or that is available to it free of charge or part free," definition of "real income" in "Lexikon der Wirtschaft. Arbeit. Bildung. Soziales" [Dictionary of the Economy. Work. Education. Social Issues], East Berlin 1982, p 768.
66. See Hannsjoerg F. Buck, "Steuerpolitik im Ost-West Systemvergleich. Umsatz- und Verbrauchssteuern als Instrumente zur Einnahmenbeschaffung und zur Wirtschaftslenkung in den Laendern der Europaeischen Gemeinschaft und in den RGW-Staaten" [Tax Policy in an East-West System Comparison. Turnover and Consumption Taxes as Tools for Obtaining Revenues and for Controlling the Economy in the Countries of the European Community and the CEMA Countries], Berlin 1982; also Herwig E. Haase, "Hauptsteuern im Sozialistischen Wirtschaftssystem" [Main Taxes in the Socialist Economic System], East Berlin 1980.
67. GB1 DER DDR, Part I 1983, No 11, pp 105/106.
68. First Implementing Regulation to the Decree on the Contribution to Social Funds," *ibid*, p 106.
69. "Order on the Financing Directive for the State-Owned Economy," *Ibid*, pp 110-121.

70. "Decree on the Production Fund Tax," *ibid*, pp 106/107.
71. "Order on the Planning, Formation and Use of the Performance Fund of State-Owned Enterprises," *ibid*, pp 121-123.
72. *Ibix*, p 106.
73. *Ibid* (Article 1), p 105.
74. *Ibid*.
75. *Ibid*.
76. *Ibid*.
77. See "First Implementing Regulation...", as before, p 106.
78. Definition of "budget enforcement procedure" in "Oekonomisches Lexikon" /Dictionary of Economics/, Vol A-K, East Berlin 1966, p 900; also *ibid*, third edition 1978, Vol H-P, p 48.
79. See "New Legal Regulations," NEUE JUSTIZ No 8/1983, p 325.
80. See, for example, Rainer Metschke/Heinz Pohl, "On the Development and Utilization of Artificial Efficiency Indices for Measuring Labor Savings in the Productive Sector," WIRTSCHAFTSWISSENSCHAFT No 2/1983, pp 195-109.
81. "Order No 4 on the Skeleton Directive for Planning in Combines and Enterprises of Industry and the Construction Industry--Skeleton Directive--of 31 March 1983," GB1 DER DDR, Special Issue No 1122, 15 April 1983.
82. "Order on the Planning and Allocation of the State Sales Surcharge," GB1 DER DDR, Part I 1983, No 15, pp 164/165.
83. "Decree on Annual Reporting in the State-Owned Economy," GB1 DER DDR, Part I 1983, No 19, pp 193-196.
84. "Order on the Review and Revision of the Normative Utilization Period and Rates of Depreciation for Basic Assets," GB1 DER DDR, Part I 1983, No 23, pp 236-239.
85. In the first quarter 1984 a Special Issue of the GB1 DER DDR, No 1124, "Nomenclature and Register of Rates of Depreciation for Basic Assets (about 992 pages) is to be published, replacing the former nomenclature of rates of depreciation of 1968 (GB1 Special Issue No 550), GB1 DER DDR, Part I 1983, No 25, 25 September 1983, p 248.
86. "Order on the Planning of Financing Circulating Assets--Circulating Assets Order" GB1 DER DDR, Part I 1983, No 21, pp 218-220.
87. "Order on the Planning and Implementation of the Revaluation of Stocks of Material Circulating Assets," GB1 DER DDR, Part I 1983, No 23, pp 239/240.

88. See "Order on Price and Finance Political Measures in Connection with the Implementation of Planned Industrial Price Changes," GB1 DER DDR, Part I 1976, No 17, pp 240-244.
89. See "Order No 3....," as before.
90. Gerhard Pflicke, "Perfection of Economic Accounting and Socialist Law," STAAT UND RECHT No 9/ 1983, p 730.
91. Ibid.
92. "Das Geltende Preisrecht. Verzeichnis der Geltenden Rechtsvorschriften auf dem Gebiet der Preise" /The Price Law in Effect. Register of Legal Regulations in Effect in the Field of Prices/, published by the Price Office at the GDR Council of Ministers, East Berlin 1983, p 109.
93. See "Order No 4....," as before, p 15.
94. Ibid, p 64.
95. Ibid, p 64.
96. Gerd Henneberg, "By Good Work With Costs to Contribute to the Growth of Performance," PRESSE-INFORMATIONEN (published by the Press Office at the chairman of the GDR Council of Ministers), 4 November 1983, No 129 (5415), p 2.
97. "Order No 4....," as before, p 70.
98. Ibid.
99. Ibid, p 71.
100. "Order No 475 on Upper Limits of Costs and Prices," GB1 DER DDR, Part I 1983, No 12, pp 131-134.
101. "Decree on the Tasking Workbook for the Tasks of Research and Development--Tasking Workbook Decree," GB1 DER DDR, Part I 1982, No 1, pp 1-5.
102. "Order on the Central State Calculation Directive for the Formation of Industrial Prices," GB1 DER DDR, Part I 1976, No 24, pp 321-344
103. See the provisions of Article 10 of the "Order on Upper Limits of Costs....," as before, p 134.
104. When this manuscript had already been edited, the GDR economic leadership (at the end of 1983) canceled the regulation in effect since 1976 on price formation as per the price/performance ratio (resolution of 10 June 1976 on the formation of industrial prices for the implementation of the resolution on the performance appraisal of enterprises and combines; GB1 DER DDR, Part I 1976, No 24, p 317) and a new "Order on the Central State Calculating Directive for the Formation of Industrial price" of 17 November 1983, in effect since 1 January 1984 (GB1 DER DDR Part I 1983, No 35, pp 341-370) rendered ineffective the still valid sections of the former regulation of price calculation of 1976.

105. See "Order No 4....," as before , p 93.
106. Guenter Mittag, "Great Growth of Performance for the Further Strengthening of our Republic," EINHEIT, No 5, 1982, p 473.
107. See Ekkehard Schie, "15 Years Record Book of Workers Performance in the Ernst Grube, Werdau, Motor Vehicle Works VEB," STATISTISCHE PRAXIS, East Berlin, No 5/1978, p 195.
108. See the author's calculations, in Kurt Erdmann, "The New Price Basis 1980. Change in GDR Statistics," FS-ANALYSEN No 6/1982.
109. See "Order of Planning of the GDR National Economy 1981-1985, Part 'N'," GB1 Special Issue No 1020, p 28 and, especially on examples of prices, Willi Riesner, "Rationelle Energieverwendung" /Rational Energy Use/, second edition, Leipzig 1982, pp 106-121.
110. See the explanations in the following report by Karl Hohmann, "Agrarian Price Reform as Productivity Stimulant," p 49.
111. See "Budget Report for 1982," TRIBUNE, 28 October 1983, p 3 and "1982 GDR Statistical Yearbook," p 249.
112. On current GDR price policy see also Manfred Melzer, "Changes in the GDR Price System," in Gernot Gotmann (editor), "The GDR Economic System," as before, pp 66ff.
113. "Statistisches Taschenbuch der DDR 1983" /GDR Statistical Handbook/, p 109.
114. Ibid, pp 48/49.
115. 1982 GDR Statistical Yearbook, p 248.
116. "Budget Report for 1982," as before, p 3.
117. See Barsony Jenő, "GDR: New Phase in the Further Development of Economic Controls," FIGYELO (Budapest), No 34, 25 August 1983. This Hungarian article comments the GDR economic measures as follows (translation by diploma economist Susanne Tobias): "The increase in the role of economic accounting has shown that the realization of the economic goals...is being influenced to the effect as to ensure greater independence for the combines. This is contradicted to some extent by the fact that, among others, the incidence of central balances has risen. The changes already apply to the 1984 plan. Modifying decrees have been enacted,...for example the review of the price system and the measurement of performance, the kind of price formation, accounting--in other words economic regulators--the investigation of the growth of efficiency. Yield stimulation by way of economic accounting presumes that prices turn into reliable indicators of the economic performance. In the GDR also the authorities are endeavoring increasingly to have the formation of import prices reflect world market prices. Costs continue to be the starting point for the planning of domestic industrial prices. Incentives for saving live labor are to be created by the introduction of a wage tax in the amount of 70 percent; this is to be accounted as costs and paid to the state with the heading "contribution to social funds." ... By contrast the calculated yield, considered separately for each branch of industry, is going to be uniformly reduced to 10 percent."



118. Estimated from various data; no averages are available for price formation.
119. See Wolfgang Foerster, Kurt Erdmann, Klaus Krakat, "Economic Controls in the GDR," *FS-ANALYSEN* No 4/1983, pp 23-49.
120. See anonymous author, "Kosten, die Keiner Kennt. Der Unsichtbare Lohn" / *Costs not Known to Anybody. The Invisible Wage*, seventh revised and supplemented edition, Cologne 1983, p 27 (1975: DM62.75/DM100.00 wage; 1982: DM77.90/DM100.00 wage).
121. See "Budget Report...", as before, p 3.
122. GB1 DER DDR, Part I 1976, No 24, p 317 (see p 25, note 104).
123. The "Material Economic Conception" of the Albert Funk Mining and Iron and Steel Combine VEB, Freiberg, showed basic materials savings of M28 million for the period 1976-1980, including "about 24 millions' worth of valuta mark in savings of nonsocialist world imports," cited in Lothar Unger and Christine Rosenberg, "Report on the Essential Subject Matter of the Iron and Steel Science Colloquium on the Occasion of the 31st Mining and Iron and Steel Day 1980," in "Issues of the Ongoing Improvement of Planning and Economic Stimulation in the Combines of the Iron and Steel Industry. Lectures at the Mining and Iron and Steel Day 1980 in Freiberg (FREIBERGER FORSCHUNGSHEFTE D 143), Leipzig 1981, p 26.
124. See Helmut Albert, "Tasks of Product Development and Design in the Shoe Combine VEB," *LSL LEDERSCHUHE-LEDERWAREN* (technical review for the leather, man-made leather, shoe and leather goods industry, the cobbler, saddler and handbag maker crafts as well as the trade in leather goods in the GDR), Leipzig No 4/1982, pp 172/173.
125. Ibid, p 174.
126. Ibid.
127. Ibid, p 175.
128. Ibid.
129. The problems mentioned here and in the following are dealt with in many publications. To be mentioned here are: Gerhard Richter, "Valuation of Live Labor and Efficiency," *WIRTSCHAFTSWISSENSCHAFT* No 10/1973; Klaus Steinitz, Hans Schilar, "Some Issues of Value Formation and Realization in Connection with the Development and Use of Microelectronics," *ibid*, pp 1503-1520; Rainer Metschke, Heinz Pohl, as before (p 9, note 80); Anneliese Braun, "On the Efficiency Potentials of Industrial Robot Technology," *DIE WIRTSCHAFT* No 1/1983, pp 12/13; Ernst Mader, "Research Tasks for the Improvement of the Efficiency of the Social Labor Capacity," in "Economic Research Tasks...", as before (p 4, note 21), pp 58-60; Helmut Koziolk, "Wealth-the Ability to Satisfy Needs," *SPEKTRUM* (monthly journal of the GDR Academy of Sciences), No 7/1983, pp 10-12; Peter Hoss, Fred Matho, Hartwig Parson, Gerhard Schilling,

"Leistungsbewertung-Leistungsvergleich-Leistungssteigerung" /Performance Appraisal-Performance Comparison-Performance Increase/, East Berlin 1982, pp 215-218; Gerd Friedrich, "The Material-Technological Basis and the Capacity of the Combines," in "Issues of the Further Strengthening of the Material-Technological Basis. 34th Congress of the Scientific Advisory Council for Economics Research at the GDR Academy of Sciences on 3 November 1981, ABHANDLUNGEN DER AKADEMIE DER WISSENSCHAFTEN DER DDR, Dept Publications by the Scientific Council, s No 3/1982, East Berlin 1982, pp 47-51; Hanns Grabley, Birgit Szameitpreiks, "Assignment to Each Enterprise: Rational Utilization of the Labor Capacity," ARBEIT UND ARBEITSRECHT No 6/1983, pp 237-258; Hans Kurzweg, "Experiences Gained in Planning and Further Steps for its Perfection," STAAT UND RECHT No 4/1981, pp 338-341.

130. See Hans Kurzweg, as before, p 344.
131. Otto Gallenmueller and Frieder Huelsenberg, "Mein Arbeitsplatz und die Kosten. Die Kosten im Reproduktionsprozess" /My Job and Costs. Costs in the Reproduction Process/, East Berlin 1978, p 14.
132. "Trabbi" is an abbreviation frequently used for the small GDR "Trabant" car (two-stroke engine).

Attachment 1--Selected GDR Reorganization Measures Through November 1983

Serial No	Heading	Date	GB1 DER DDR Part I 1983	
			No	Page
1	Order on the Material Reward for Working People for Savings of Motor Fuel in Road Vehicles	20 01 83	4	39
2	Order on the Norming of Motor Fuel Consumption for Motor Vehicles in Road Traffic	20 01 83	4	40
3	Order on the Coordinated Build-up of Data Banks of 26 January 1983 (GB1 Special Issue No 1120 of 15 April 1983)			
4	Order No 4 on the Complementation of the Order of Planning of the GDR Economy 1981-1985 of 31 March 1983 <sup>1</sup> , p 1 (GB1 Special Issue No 1122 of 15 April 1983)			

- 1) Issued at the same time was a new version of Part "K" of the "Order of Planning of the GDR Economy 1981-1985" of 28 November 1979.

Heading: General Regulations

Planning of the Efficiency of Social Production

Planning of the Material and Cultural Standard of Living of the People

GB1 Special Issue No 1020 k; revised version:

GB1 Special Issue No 1020/1 k for a predetermined group of distributors in the GDR

Serial No	Heading	Date	GB1 DER DDR Part I 1983	
			No	Page
5	Order No 4 on the Skeleton Directive for Planning in the Combines and Enterprises of Industry and the Construction Industry--Skeleton Directive of 31 March 1983, <sup>1</sup> p 79 GB1 Special Issue No 1122 of 15 April 1983			
6	Decree on the Contribution to Social Funds	14 04 83	11	105) JPR
7	First Implementing Regulation to the Decree on the Contribution to Social Funds	14 04 83	11	) 846 106) 26 83
8	Decree on the Production Fund Tax	14 04 83	11	106) )
9	First Implementing Regulation to the Decree on the Production Fund Tax	14 04 83	11	107) ) JPR
10	Order on the Financing Directive for the State-Owned Economy	14 04 83	11	) 846 110) 2 N ) 83
11	Order on the Planning, Formation and Distribution of the Performance Fund of State-Owned Enterprises	14 04 83	11	) ) 121) )
12	Order No 3 on Cash Planning	14 04 83	11	123) )
13	Order No Pr 475 on Upper Limits for Costs and Prices	14 04 83	12	131
14	Order on the Periodic Ascertainment of Stocks not Required by the Balance Organs and on the Responsibility and Material Stimulation of Producers for the Efficient Use of Excess Stocks in their Production Assortment--Stock Utilization Order	14 04 83	13	146
15	Fourth Implementing Regulation to the Decree on the Work with Norms and Normatives of Materials Consumption and Inventory Keeping--Amendment of the Third Implementing Regulation	04 05 83	13	145
16	Implementing Regulation to the Decree on the Balancing of Materials, Equipment and Consumer Goods--Balancing Decree	02 06 83	15	) JPR ) 846 161) 7 N ) 83

1) see preceding page



Serial No	Heading	Date	GB1 DER DDR Part I 1983	
			No	Page
17	Order on the Planning and Payment of the State Sales Surcharge	02 05 83	15	164
18	Decree on Annual Reporting in the State-Owned Economy	23 06 83	19	193 ) JPRS 84559 ) 19 Oc 83
19	Order on the Planning of the Financing of Circulating Assets--Circulating Asset Order	22 07 83	21	218 ) JPRS 84912 ) 9 Dec 83
20	Order on the Review and Revision of the Normative Period of Utilization and Rates of Depreciation for Basic Assets <sup>2</sup>	02 08 83	23	236
21	Order on the Planning and Implementation of the Revaluation of Stocks of Material Circulating Assets	10 08 83	23	239

- 2) In the first quarter 1984, the GB1 Special Issue No 1124 is expected, "Nomenclature and Register of Rates of Depreciation for Basic Assets" (about 992 pages), to replace the present nomenclature of rates of depreciation of 1968 (GB1 Special Issue No 550)

#### Attachment 2--Key Points of the Decree on the Further Perfection of Economic Accounting<sup>1</sup>

##### Six Main Sections of the Decree

- II. Requirements on the Planning, Accounting, Supervision and Analysis of Costs (Articles 2 - 12).
- III. Improving the Economic Efficacy of Scientific-Technological Advances (Articles 13 - 19)
- IV. Financial Obligations to the State Budget and Formation of Own Funds as well as the Reinforcement of the Influence of Loans and Interest (Articles 20 - 24)

1) GB1 I 1982, No 3, pp 85-92.

V. Tasks in the Field of Industrial Prices  
(Articles 25 - 29)

VI. Greater Responsibility of Combines and Enterprises for Foreign Trade Operations  
(Articles 30 - 34)

VII. Increase in the Responsibility of the Chief Bookkeeper  
(Article 35)

"Main Trends" as per the Commentary<sup>2</sup> by the State Planning Commission:

- "1. Improvement of Cost Planning and its Normative Base.
2. Closer Links between Performance and Efficiency Development and between Fund Formation and Distribution.
3. Evidence of the Actual Economic Costs in the Industrial Prices.
4. Speed-up in and Improvement of the Economic Efficacy of Science and Technology and Investments.
5. Greater Combine Responsibility for the Accomplishment of Foreign Trade Tasks.
6. Improvement of Circulating Asset Planning and Speed-up of the Turnover of Stocks also by new Provisions regarding Loans, Interest Payments and the Production Fund Tax."

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2) Harald Rost (deputy chairman of the State Planning Commission): "On the Perfection of Economic Accounting," DIE WIRTSCHAFT, East Berlin, No 2/1982, pp 8/9.

DEBT SERVICE POSITION REMAINS PRECARIOUS

Frankfurt FRANKFURTER ALLGEMEINE in German 10 Mar 84 p 3

[Article by Fk.: "GDR Still Short DM 6 Billion"]

[Text] Frankfurt, 9 Mar 84--Prior to the start of the Leipzig Fair, figures are coming out of banking circles on the GDR's debt, figures which give only limited support to the reports circulating recently to the effect that the level of debt has declined strongly. That is true at least for the gross debt of the other German state. According to bank calculations, the overall debt, which stood at \$11.7 billion in mid-1983 (gross debt, excluding GDR credit balances), only declined to \$10.9 billion or about DM28 billion by the end of the year. Within a year, to be sure, the GDR was able to increase its dollar credit balances in other countries from \$1.9 billion to \$2.8 billion, so that the "net debt" currently stands at \$8.1 billion or about DM21 billion. It may well be that not least in its salutary effect was the credit of DM1 billion by West German bankers last summer, a credit tied to a federal guarantee.

This net account is not conclusive because in the first place, the GDR needs a substantial part of its credit balances for import requirements, especially since the policy of belt-tightening has led to more and more strain in the country's supply situation in recent months. In the second place, another reason why the credit balances cannot so easily be subtracted from the total debt is that they are required to service the debt. And here it is seen that the GDR's situation continues to be precarious: in the current year, 46 percent or about \$5 billion of its total debt comes due; another 27 percent in each case has a term of 2 years or more than 2 years. Added to that is the interest burden, which is to be figured at at least \$1 billion, so that this year the GDR has to come up with a total of about \$6 billion or DM15 billion for debt servicing.

Contrasted with that are payment possibilities, which the banks estimate at approximately \$3.6 billion or DM9 billion. Included in this sum are the following items: \$1.8 billion of the total of \$2.8 billion of the GDR's foreign-exchange credit balances; a slight increase in the FRG transfer payments among the diverse lump-sum payments--recently increased in part--in the amount of \$1.2 billion; and a still high trade-balance surplus of the GDR in commerce with Western countries (excluding FRG) amounting to \$600 million. Thus in the current year, the GDR still lacks about \$2.4 billion or DM6 billion to meet the principle and interest coming due.

With this background, one can understand the interest that the GDR is taking in a visit by Strauss in Leipzig, in which, according to reports out of Munich, there is even to be a meeting with Honecker. Although the Federal Government has been signaled recently in many ways that the GDR continues to have substantial credit requirements, no outward action has been taken. And the granting of a large number of departures previously turned down points in the same direction: the GDR is seeking a visible improvement in the inner-German climate.

For the banks, the GDR's credit-worthiness continues to be beyond question, especially since net debt--as described--has clearly improved and the GDR's surpluses in trade with Western countries are being maintained through obvious sacrifices (on the imports side). Nevertheless, the credit lines of West German banks for the GDR (for the financing of exports) are either not being increased at all or only reluctantly. The banks consider it completely out of the question that they should provide an open foreign-exchange credit at their own risk, even if it is just in the amount of DM500 million. Only if the Federal Government were again to give a guarantee would the banks--then, of course, quite willingly--be prepared to provide a credit that is freely usable, that is, not linked with export deals.

9746

CSO: 2300/342



## BRIEFS

**GDR, SWEDEN INCREASE TRADE**--At the invitation of the Swedish Government, Dr Udo-Dieter Wange, minister for bezirk-managed industry and foodstuffs industry, visited Sweden from 14 to 17 February. During his stay, meetings with the minister of industry, Roine Carlsson; the minister of foodstuffs, agriculture and forestry, Svante Lundkvist, and with leading representatives from Swedish industry and trade took place. The talks dealt with questions of exports, scientific-technical cooperation between the GDR combines, enterprises, and foreign trade components of the bezirk-managed and foodstuffs industry with Swedish concerns and firms as well as their joint ventures into third markets. The Swedish conference partners expressed their interest in the utilization of further possibilities in economic cooperation with the GDR and emphasized the supportive role of the Leipzig Trade Fair in this connection. Swedish exhibitors and visitors to the Leipzig Spring Fair will discuss the further development of mutually beneficial trade relations with the GDR. [Text] [East Berlin NEUES DEUTSCHLAND in German 18/19 Feb 84 p 2]

**FEBRUARY WEATHER REPORT**--Starting on 12 February, the very mild weather of the first 10 days of the month was followed by excessively low average daily air temperatures for the most part. While there was a great deal of precipitation during the first days of February, the frequency of precipitation decreased significantly in the second and third 10-day periods. For a short time, a thin snow cover was formed in the lowlands. Temperatures in the top-soil fluctuated around zero and reached their lowest values at the end of the second 10-day period. As a result, potatoes left in the ground were frozen and the danger of sprouting is slight. The precipitation of the first 10-day period caused a notable increase in soil moisture. In the southern half, however, a significant moisture deficit continues to exist. The intensive effects of the frost, especially from the beginning of the second 10-day period, had a positive effect on the soil structure. Since the frost of the second 10-day period in the interior lowlands and in the snow-free areas of the hill country reached critical values in part, damage to sensitive crops must be expected in those areas. The sunny period with its fluctuations in air temperature probably stimulated the phenological development. The conditions for pruning of fruit trees and melioration were generally favorable. Potatoes in store houses and silos could be aerated almost every day. [Text] [East Berlin NEUE DEUTSCHE BAUERNZEITUNG in German 16 Mar 84 p 7]

SPRING PLANTING PROJECTIONS--In connection with "the week of spring preparation," which was observed from 27 February to 10 March 1984, the East Berlin NATIONAL-ZEITUNG in German of 28 February publishes on page 6 the following national figures for projected spring planting: 531,000 ha (hectares) summer grains; 485,000 ha potatoes; 241,000 ha sugar beets; 62,000 field vegetables; 140,000 ha propagation cultures. [Editorial Report]

CSO: 2300/330

## MINISTER FINDS PERFORMANCE OF INDUSTRY WANTING

Budapest MAGYAR HIRLAP in Hungarian 29 Feb 84 pp 1, 7

/Article by Minister of Industry Laszlo Kapolyi at the Conference of Enterprise Managers: "Strenuous Industrial Tasks"/

/Text/ On Tuesday in the headquarters of construction trade unions, leaders of over 400 enterprises under the Ministry of Industry debated the industry's timely tasks, and the development ideas and market programs of the individual branches. The central presentation was given by Minister of Industry Laszlo Kapolyi, after which the heads of several enterprises, the SZOT's /National Council of Trade Unions/ deputy secretary general, the OT's /National Planning Office/ state secretary, and the chamber's president expressed their opinions. Jozsef Marjai, deputy chairman of the Council of Ministers also participated in the conference.

"Industry in 1983 contributed significantly towards reaching the central goals, improving our paying ability and preserving our standard of living," Laszlo Kapolyi began his presentation. "It increased the convertible export merchandise base by about \$274 million and managed to increase export while import remained unchanged. In some of our foreign trade relationships--first of all in the socialist relationships--we were unable to fully satisfy our contractually accepted obligations. The machine, light and instrument industries fell short of the requirements. Material and spare parts supplies improved, but the results could be better if domestic cooperation and the intensity of industrial relations increased. As far as the manpower situation is concerned: the number of people employed decreased by 34,000 persons, and the enterprises counteracted this by a 3.5 percent increase in productivity."

The minister of industry also spoke separately about the machine industry's results: this area shows a twosided picture. Production increased by 0.6 percent over 1982, but fell short of the value projected in the national economic plan by 3 percent. Energy and material demand decreased by about 2 percent in industry, and in proportion with the results, the average wage increased by about 5.4 percent. The operating space of enterprises continued to be determined by the import opportunities, the shortage of investments, and the tensions

in manpower management, as well as by the continuous restriction in the system of conditions of the international sharing of labor and the change in domestic regulations.

This year the industry plans to further expand export. Expecting a two percent decrease in employment and the proportional increase in productivity, there is an approximately four percent increase of the average wages in the plan. Deviating from the national economic plan, the enterprises are planning to import about 10 percent more from convertible relationships. This is unacceptable--emphasized Laszlo Kapolyi--and this is the first such source of tensions for which solution can be imagined only by consultation, cooperation, increasing the industry's internal performance, efforts aimed at replacing imports and increasing the technological-economic work. The lack of export performances is the second source of tension: the 1984 enterprise plans contain 6.7 billion forints less value than what is included in the national economic plan. This indicates an approximately \$150 million performance shortage; and in the ruble accounted relationship there is an unfulfilled opportunity of 130 million rubles. In this latter area there is a lack of performance of about 3.4 billion forints. In socialist export primarily the machine industry has things to do since it is falling short of its opportunities by 6.6 billion forints, while the light industry is falling short by 1.6 billion.

#### To Eliminate the Sources of Tension--Breakthrough Opportunities and Confidence: Export Problems

Thus the several years old pressure on industry is continuing, there is a lack of a significant quantity of export. There is a lack of correlation between the production factors--the investment resources, exploitation of existing capacity, as well as the available manpower. The situation is similar with the investments: in 1984 the enterprises are expecting about 7.6 billion forints more than is included in the national economic plan. Of this, 1.9 billion forints will be spent on the major state investments, the rest on the enterprises. In the investment sphere the demand for capitalist import is also significantly higher than the plan: the enterprises are planning 8 billion forints, while the opportunities are for 5.5 billion forints. Eliminating these sources of tension--the lack of export performances and resolving the tensions of the higher and higher import plans and of the investment resources--are very important tasks for 1984.

For this very reason it is important--the minister of industry said--for the enterprises to evaluate the way performance is developing, more frequently and more dynamically than before. It must not happen again what happened in 1983, that for example the macroeconomy invested 15-17 billion forints more than planned, and the major portion of this surfaced at the state investments.

In order to decrease the clusters of tension, the medium and long range development concept was developed at all the enterprises. Starting out from this the enterprises are capable of the additional performance which is needed to resolve the domestic tensions, but a change in attitude is also necessary for this. For those products which can be sold in all three relationships and where therefore there are frequent shortages, we must find the opportunities for "breakthrough"--by joint efforts, and by courageous regrouping of the resources.



Compared to 1982, in 1983 the number of enterprises operating in the red increased by about 50 percent, and the amount of loss climbed from 1.2 billion forints to 3 billion. The industrial portfolio is continuously working with the enterprises which are in the red. In finding various solutions, measures by the government and efforts at modernizing the organizations are available side by side, but the most desirable can be recovery by their own strength. This was also proven in 1983.

Speaking about industry's future, Laszlo Kapolyi divided the industrial branches and areas into four groups. In the first group are those products, technologies, and production systems which are suitable to represent "breakthrough points" as a part of the industrial development concept in areas where the Hungarian industry's share of the world production is significantly higher than the weight we occupy in the world's economy. In the machine industry, public highway vehicle construction and subassembly production related to this, the various vacuum technology products, and agricultural machinery production which has developed as the result of close industrial cooperation with agriculture, qualify as such breakthrough points. So qualifies also the aluminum industry which is developing as the national industry, and has survived the temporary world market crisis with a spectacular industrial branch strategy. Production of special structural materials also promises a breakthrough in the area of metallurgy. In the instrument industry first of all the medical technology tools, medical instruments and health care facilities are worth mentioning. Some communications products belong to this group, as well as computer technology equipment involving high levels of intellectual capital. In the chemical industry mainly the pharmaceutical industry, then aromatic chemistry, organic chemical industry and production of intermediaries can be listed here. Within light industry we can mention the production of artificial leather, textiles for health care purposes, technical materials and supplies.

The next product group is composed of the so-called extrusion products. Here--even if the opportunity of a breakthrough is not as significant as in the first group--the products and industrial divisions belonging here are competitive over the long range.

Describing industry's international situation Laszlo Kapolyi emphasized that a difficult market situation must be expected over the long range. Conditions have become stricter not only in the capitalist countries but also on the socialist market. Nobody should be deceived by the development that the United States, England and Japan have already gotten past the crisis. It appears this upswing has not yet reached Europe for the time being.

Changes can also be seen in our value system. Quality and know-how increased in value, the roles of enterprising and innovation are greater. By now the earlier advantage of the social security system has dissipated. Unfortunately the development of education was not coupled with technical modernization. Today the ratio of trade training falls behind that of the Western European and North American countries. This is noteworthy because this way perhaps we will be losing some of our intellectual capital over the long range.

## Invigorating Changes

With the further development of economic management we must increase capital regrouping and broaden ownership rights; better individual control of property and creative participation in management must be achieved. The price system's present restrictions will gradually diminish and the market conditions will play the definitive role. The burden on live work will increase and together with this the taxation on profits will decrease, the interest of enterprises in profit will increase. If possible, the limiting role of average wage in income regulation must be eliminated. The role of exchange rates will further increase in foreign trade. Market, management, awareness--these are the three most important areas as main components of implementing the industrial strategy. At the same time we have to be people-centered in the developments.

The minister of industry emphasized that it is a part of successful work that the currently often experienced distrustfulness between managers and the managed must cease. It is also true, however, that there are some basis for this. That is, at the moment there are 295 points where there is interference in the economic life, partly in the form of removals and partly of subsidies. These interferences break the economic processes. Acknowledging the errors in management, the minister of industry requested the enterprises to cooperate with the ministry and seek solutions to the existing problems together. That is, without this neither the successful fulfillment of the 1984 plan nor the effective assembly of the Seventh 5-Year Plan just around the corner, the realistic outlining of long range ideas can be imagined.

The minister of industry's presentation was followed by comments. General managers Dr Istvan Martin of Medicor, Ilona Tatai of Taurus, Dr Lajos Dozsa of MAT /Hungarian Aluminum Industry Trust/, Dr Jozsef Tatar of Budapestprint, and Karoly Demeter of Tungstam evaluated the industry's present opportunities and problems from the enterprise viewpoint. Laszlo Gal, the SZOT's deputy secretary general spoke about work competition, Janos Hoos, state secretary for the National Planning Office about the continuous interrelationship between industry and the national economy, while Tamas Beck, the Chamber's president emphasized the need to further develop the economy's management.

Due to lack of space we can not report in detail on the comments, only quote the thoughts of Istvan Bihari, general manager of Chinoim.

In his comments he illustrated well that the situation in the economy is really totally different now than it has ever been before, yet at the same time there are many similarities. He quoted from a 1918 Chinoim record where the company's managers complained about the shortage of packaging materials and blamed the support industry. This criticism is valid today, too. After this the general manager examined why the often missed performance system has not developed in the Hungarian economy. His opinion was that the first requirement for this is to be interested in performance. But at the present time there are no suitable standards and measures in the economy. Even though there have been many complaints about the price and wage system, the significant change in the economy has to begin not here but in the monetary and tax system. There are different kinds of forints which prevent the forint from being convertible domestically,

so that the performances could be realistically comparable. A well-thoughtout tax policy was not born for 30 or 35 years, even though this would be the foundation of budgetary balance. Present taxation is complicated, was built into the wage and price system, and prevents the payment of appropriate wages for performance.

Istvan Bihari also welcomed that intent of the industrial portfolio to wish to cooperate in a new attitude as partners with the enterprises, while he also reminded that in the past the relationship of management and the enterprises was for the most part characterized by unprincipled haggling.

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CSO: 2500/256

## PLANS FOR DEVELOPMENT OF HORTICULTURE IN 1984

Bucharest PRODUCTIA VEGETALA-HORTICULTURA in Romanian Jan 84 pp 3-5

[Article by Prof Dr I. Ceausescu, minister state secretary in the State Planning Committee]

[Text] The provisions for the development of horticultural production in 1984, formulated under the direct guidance of the party leadership, are based on the objectives established by the 12th Congress of the RCP, the decisions of the National Conference of December 1982, the provisions of special programs and the Program for Self-management and Territorial Self-Supply, and the orientations of the National Program to Achieve a Reliable and Stable Crop in Agriculture.

The Workshop on Agricultural Problems, held by the Central Committee of the RCP in December 1983, established the measures that must be taken to fulfill the provisions of the plan for increasing agricultural production, and implicitly, horticultural production as well.

Nicolae Ceausescu's speech on that occasion must become a vast and mobilizing program for the exemplary fulfillment of the indications and orientations established to achieve the plan's tasks in horticultural production.

The plan's provisions for 1984 are to increase production through the most efficient use of land resources, of technical and material facilities, correlated with the provisions of special programs for the development of vegetable, orchard, vineyard, and potato production.

Beginning in 1984, land parcels will have to be better organized and used, assuring the creation of stable soils as a function of terrain, for the performance of agricultural work with maximum efficiency. As a result, vegetable, food legumes, and potato crops will be organized primarily in specialized farms, on plots which will assure a 3-5 year crop rotation, and only on land whose irrigation is assured under any climate conditions.

At the Workshop of the Central Committee of the RCP, referring to the existing conditions for vegetable crops in our country, the secretary general of the party indicated that "we must move toward larger crops per hectare. We have



greatly expanded the area planted with vegetables by reducing the terrain allocated to other crops, because of the small crops which we obtain in the vegetable sector. Under normal circumstances, we should produce 7-8 million tons of vegetables with one-half of the present area."

This criticism has caused the 1984 plan to consider an intensification of production in all varieties and all sectors, so that production units will:

Locate crops on plots which make it possible to obtain efficient productions and whose irrigation is assured throughout the year, under any conditions;

Use seeds and seeding material with superior biological properties (super-elite, elite, multiplication I, and exceptionally, multiplication II for some varieties);

Establish persons responsible for crops (farm leaders) at the time of plan formulation, and give them permanent status;

Assure optimum densities for plants, both during planting and harvest;

Apply all agrotechnical measures and rationally use the technical-material base;

Properly harvest and utilize the entire production obtained, according to the distribution established by the plan;

Increase the economic efficiency of vegetable crops and assure a favorable microclimate for plants by extending crops intercropped with corn over the entire area.

As a result, the production forecasts for 1984 are higher than those of 1983 by 8500 kg/ha (64 percent) for vegetables, 2900 kg/ha (15 percent) for fall potatoes, 440 kg/ha (58 percent) for dry beans, and 2150 kg/ha (36 percent) for grapes. In addition to obtaining higher productions per unit area, the total production will have to fully satisfy consumption needs in the most uniform possible steps throughout the year, and in the most diversified range of varieties.

Compliance with plant density and number of flowerings per plant, together with the application of all agrotechnical standards, assures that the varieties and hybrids being cultivated will have a high production potential per unit area: 40-60 tons for tomatoes and cabbage, 25-30 tons for dry onions, 20-30 tons for root vegetables, 40 tons for peppers, 6-7 tons for peas and green beans, 10-20 tons for cucumbers and squash, 2 tons for shelled peas and beans, and so on.

Given this plant potential, verified in research and production units, it follows that the requirements of 7-8 million tons of fresh vegetables for the national economy could be provided from about 50 percent of the area to be planted in 1984.

Since the production obtained in previous years did not fully cover consumption needs by failing to provide an appropriate diversity of varieties and suitable steps throughout the year, measures have been taken for 1984 on the basis of achieved results, to extend the area of vegetables, food legumes, and potatoes in double crops, successive and interleaved with corn, vineyards, and orchards.

According to the production program for seeds and seeding materials, only material with superior biological properties, elite and multiplication I will be used for production beginning in 1985.

During the following two years, the modernization of older plantings will have to be completed in vineyards and orchards, concurrent with creating new, modern plantings with valuable varieties. Similarly, in addition to intensifying production with new plantings, special stress must be placed on assuring a more suitable ratio between fruit varieties and table grapes compared to vine grapes.

Currently, apple production meets the needs of the national economy, but no measures have been taken to appropriately exploit it. That is why, beginning in 1984, strong measures must be undertaken to provide adequate space for storing and processing part of the production in the form of juices and other industrial products.

Fruit growing actions must be oriented toward the planting of about 30,000 hectares of fruit trees in coming years, so as to assure raw materials for the soft drinks and canning industry, as well as for exporting capabilities. In parallel, special attention must be devoted to strawberries and varieties that are in short supply, such as cherries, sour cherries, apricots, walnuts, almonds, and so on.

The fulfillment of the 1984 plan provisions will assure the continued development of horticulture, with a direct favorable influence on a higher standard of living for all our nation; it will require the exemplary mobilization of all specialists in the sector, and their effective participation in implementing party leadership indications and the provisions of special programs for horticultural development.

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CSO: 2700/150

## 'CONTRADICTIONS' IN ECONOMY EXAMINED BY PARTY JOURNAL

Bucharest ERA SOCIALISTA in Romanian No 4, 25 Feb 84 pp 10-14

[Article by Constantin Sirbu: "Premises for and Implications of Overcoming Contradictions in the Economy"]

[Text] Contradictions represent not an accident or an anomaly of the real world, but an objective presence, inherent in movement, change and development, having validity in nature, society and thought alike. They are a source of development and, at the same time, effects of it.

Socialism differs from capitalism not in the lack of contradictions, but in their nonantagonistic character, resulting from the nature of the economy and social classes, from the specific manner of regulation of social production and the existence of common basic interests of the social classes and categories, interests springing, in the final analysis, from common ownership of the means of production.

Under the conditions of socialism, acting in a new economic, social and political milieu, the contradictions can be resolved in time through the conscious intervention of society, a circumstance that raises the rate of progress in all fields. However, this possibility does not automatically become a direct reality; it requires a number of premises, of changes in the intersectorial and territorial distribution of the production forces, in the structure of the economy and branches, in the level of skill and the structure of the work force, in the labor effectiveness and discipline, in the guidance and planning of the economy, in the management methods and so on. "We must thus," Comrade Nicolae Ceausescu stressed at the working conference in Mangalia, "thoroughly study social development, understand the objective laws, discern the contradictions in time and act in an organized, conscious manner to resolve them, thus providing the basis needed for our advance."

1. As is known, in the years of the construction of socialism, and especially after the ninth congress, remarkable successes have been obtained in developing the economy, science and culture, in affirming the human personality. They constitute a solid foundation in establishing new goals for the progress of the socialist civilization, of the material and spiritual existence of the Romanian people. Consequently, the 12th congress of the party set as a basic objective of the 1981-1985 5-year period the growth of the national economy at a steady

rate and the modernization of it, the strong affirmation of the scientific and technical revolution in all fields, the achievement of a new quality of work and life.

In the view of the Romanian Communist Party, the providing of a new balance and harmonious development of all branches of activity, the resolution of contradictions and the elimination of disproportions that have appeared in the extensive process of forging the new order in Romania have--in the current stage--a special significance for our upward movement. In this regard, in the report to the national conference, the secretary general of the party stressed that "a certain disproportion" has been created "between some sectors of the national economy, causing the appearance of contradictions that must be eliminated. We have in mind, in particular," Comrade Nicolae Ceausescu said, "the disproportion between the processing industry and the base of energy and raw materials."<sup>2</sup>

In the years of the construction of socialism, although both the processing industry and the extractive and power industries have been developed, the rate of growth of production in the latter branches has not kept pace with the need of the former branch and the national economy on the whole for raw materials and energy. A disproportion has gradually been created between the need for raw materials and energy and the domestic production of them, there consequently being an appeal to the importation of a growing quantity of primary products. In 1981, through importation, Romania covered 100 percent of the need for asbestos, phosphates, nickel, tin, ferroalloys, titanium dioxide and zinc oxide, 93 percent for iron ore, 70 percent for coking coal and 25 percent for power coal, 30 percent for crude oil, bauxite and sulfur, 40 percent for copper in ingots and 30 percent for zinc in ingots, 18 percent for lead, 13 percent for concentrated copper and 8 percent for concentrated zinc.<sup>3</sup> The above-mentioned disproportion and the growing importation of raw materials and fuel are indissolubly connected with the big percentage of energy-intensive branches and sub-branches in the national economy, with the high specific consumptions, exceeding the socially necessary ones for a number of manufactured goods, with the bigger-than-useful dimensions of different machinery and equipment produced in the country, and so on.

When raw materials and fuel were sold at low prices on the world market, our industry did not reach the limit that the above-mentioned products represent for developing the country's production. The rise in their prices and, at the same time, in their exchange value essentially changed the data of the problem, compelling us to resort to the wide employment of the national holdings of natural resources, to provide for the increasing coverage of the need for primary fuel and raw materials from domestic resources. As follows from various studies, in the 1970-1980 period, the prices rose 24.6-fold for crude oil and 3.4-fold for other basic products (raw materials), while the prices rose only 2.9-fold for the products of the processing industry. In order to procure 1 ton of crude oil in 1982, the importing countries had to sell on the international market 8 times more manufactured products than in 1970, and in order to procure the same volume of raw materials, they had to sell 1.2 times more manufactured products.<sup>4</sup>

In view of the steady rate of economic development, the continually growing requirements of material and spiritual production, our country's reserves of



natural resources, the current situation on the world market and the trends that are visible—that is, the growth of the difficulties of procuring the traditional bearers of energy, especially petroleum, in the future—the 12th RCP Congress set as an objective the securing of Romania's energy independence and the more marked expansion of the base of raw materials.

The attainment of this objective is equivalent to eliminating the disproportion between the processing industry and the base of energy and raw materials and, at the same time, to creating the most important condition for resolving the other contradictions in Romania's economy. At the same time, our national economy's capacity to lessen a number of negative effects of the world market, especially at the times when the prices of fuel and some raw materials rise faster than those of finished products (or fall more slowly than their prices), will increase in the future. The advantages of the big "combined" enterprises, which have their own resources of raw materials and energy (the normal evolution of costs, of net income, of the bases for accumulation and progress, and so on), advantages that, for many reasons, are becoming more evident in the current stage than in the past, will be reproduced—through the gaining of energy independence and the growth of the domestic production of raw materials—on the scale of the whole economy.

The relatively short period for attaining the agreement between the need for energy and the domestic production of it, a period that brings out an essential trait of the socialist economy, that of rapidly mobilizing the human, material and financial forces to deal with urgent needs, which presuppose, at the same time, high rates of growth of production in the fields lagging behind the requirements, seems to us to be worth stressing. The production of coal, for example, our main energy source, will reach approximately 102 million tons in 1990 (compared to 35,164,000 tons in 1980). The production of petroleum and natural gas, electric power and ferrous and nonferrous ores will also register big increases in relatively short intervals of time.

In the process of gaining Romania's energy independence, the structure of the energy balance and of the primary fuel used to produce electric power is also changing substantially. The output of electric power obtained on the basis of coal is rising rapidly and the percentage of that achieved on the basis of hydrocarbons is falling; at the same time, the expansion of the network of hydroelectric power stations is occurring. Coal-using power stations with an installed capacity of 3,494 megawatts (representing about 112 percent of the capacity of the existing coal-using power stations) and the bituminous-coal-using power station at Anina, which will be equipped with 330-megawatt generating sets and whose final installed capacity will be 990 megawatts, are under construction. In the current 5-year period, the construction of hydroelectric power stations with a capacity of 2,500 megawatts is also scheduled. For the 1986-1990 period, a capacity of 2,400 megawatts will be installed in coal-using power stations and a capacity of 3,600 megawatts will be installed in hydroelectric power stations, this latter capacity being equal to that going into operation between 1944 and 1980.

Changes are also appearing in the energy balance due to the switching of power stations that operate on hydrocarbons to the consumption of coal and due to the

construction of new thermal and electric power stations. In this way, about 6 million tons of conventional fuel will be freed for better utilization through chemicalization. In the ninth decade, nuclear-electric power will appear in the country's energy balance. The nuclear-electric power station at Cernavoda, which will go into operation in stages, beginning in 1986, and whose final capacity will be 3,500 megawatts, is now under construction. At the end of 1990, the national economy will have an installed capacity of 4,500 megawatts in nuclear-electric power stations.

Part of the energy need will be met through new sources--solar and geothermal energy, biomass, and energy produced from domestic refuse.

The reduction of the costs and material expenditures in the extractive industry and the electric-power industry is also of great significance for gaining energy independence. The proportion and volume of the output furnished to the consumers, the level of the costs in the other branches, the percentage of national income in the gross national product, the possibilities of raising labor productivity by expanding mechanization and automation, the normal correlations between the expense components of the family budgets, and so on depend decisively on the physical and financial costs of the products in these branches.

In the extraction of primary fuel, the growth of the so-called net contribution of energy represents an objective necessity, with the rigorous periodic determination of the cumulative consumption of energy and matter for each particular deposit and product (coal, petroleum and so on) and of the energy that the extracted fuel contains constituting a help in this regard.

Naturally, the raising of the net output and the effectiveness also has validity for the electric-power industry and the raw-material-extracting industry. In the latter branch, however, the effectiveness is expressed not only by the production expenses but also by the effect that the raw material's quality has on the costs and profitability in the processing industry. Judgments nearer to the truth with regard to the effectiveness of the production of each particular raw material can be made by relating their own production expenses to those of the processing industry, which the former affect decisively. The determination of the costs per ton of useful substance (along with the costs per ton of ore) and the determination of the cumulative consumption of resources and net output are also revealing, although they do not make it unnecessary to know the above-mentioned relationship. The same relationship, the relating of the costs, is also prescribed for coal production, on the one hand, and electric-power production, on the other. The level of the costs in the coal industry do not tell the whole story about the effectiveness of its activity. The picture appears more completely if one estimates the influence that the coal's quality has on the operation of the thermoelectric power stations and on the costs of electric-power production.

A number of steps regarding the development and improvement of the material base, the improvement of the organization of production and labor, the raising of the qualifications of the work force, and so on have been taken and are in progress to raise production and provide economic efficiency to the production in the branches of the fuel- and raw-material-extracting industry. The action

of assimilating and introducing into manufacture highly technical equipment for the mining and petroleum industries, such as the new types of face complexes and combines, heading combines, perforating installations, rotary-bucket excavators, dumping machines, and electric-drive and diesel-electric-drive rigs for very deep drilling, was finalized in the later years of the last 5-year period. The assimilation and manufacture of over 340 types and groups of main installations and equipment and a large number of mechanization devices have been proposed for this 5-year period. In underground coal extraction, the degree of mechanization will rise from 56 percent in 1983 to 65 percent in 1985. If the production in the quarries is also taken into account, it results that about 84 percent of the total coal production will be extracted through technologies with overall, integrated mechanization.<sup>5</sup>

At the same time, action is being taken to reduce costs in the electric-power branch, through the growth of the continuity of production and the lowering of specific consumptions, supported by measures regarding the improvement of the skilled supervision and maintenance of the installed capacities, the making of repairs in due time, the modernization of generating sets in operation, and the growth of the promptness in eliminating the defects that appear. The improvement of the coal's quality and the furnishing of it at suitable technical parameters are also having positive effects on the costs and continuity of electric-power production, on which the degree of utilization of the production capacities in all branches depends.

The expenditures made for primary fuel and raw materials are not limited to those generated by the domestic production of them; they also include the expenditures made for the exported production insofar as the sums collected are utilized to import petroleum, iron ore and so on. Consequently, it is also necessary to reduce these expenditures. The growth of the productive force of the labor and the improvement of the quality in the production meant for the international market constitute the main way that provides such a course to the importation expenditures for fuel and raw materials. The actions taken in this regard in our country, which will provide for some products performances higher than those attained in the industrially developed countries, will cause, among other things, a rise in the effectiveness of the importation of fuel and raw materials and a reduction in the amount of national labor expended to procure the respective products. With the other conditions remaining unchanged, importation is cheaper in proportion as the productive force of the labor is higher in the branches that produce commodities for exportation. Just as the reduction of the expenses in the extractive and power branches constitutes a premise for increasing the effectiveness of the exportation of products of the processing industry, likewise the growth of the labor productivity in this latter branch constitutes a means of increasing the effectiveness of importation and, at the same time, reducing the amount of labor expended to procure raw materials and energy resources.

The recovery and reuse of the raw materials and supplies that result from production and consumption are of particular importance for gaining energy independence and overcoming contradictions in the economy. During the 1981-1985 5-year period, through recovery, it is necessary to meet at least 40-50 percent of the domestic need for iron, nonferrous metal, textile thread and fiber,



mineral oil and so on. Recovery thus represents an important source of supply of raw materials for the national economy and a way to save energy. In proportion as it is more intense and better utilized, the demands lessen for raising the production in the extractive and electric-power industries.

At the same time, the rational use and better employment of raw materials and energy in all branches, regardless of the product's purpose, and the attainment of an output with a growing economic value from the same quantity of primary resources are necessary for gaining energy independence. The gradual alteration of the manufacturing technologies and the growth of the percentage of products furnished by low-tonnage chemistry and by precision engineering, of products of electronics and electrical engineering, and of high-output means of labor are just a couple of the ways that lead to the attainment of this objective. The continuation of the process of restructuring industry through the priority growth of the branches of advanced processing and the achievement of highly technical products with low energy consumptions--tasks set by the 12th congress--thus constitute conditions for gaining Romania's energy independence, for increasingly supplying domestic raw materials to industry and to the economy on the whole.

As a result of the steps taken to carry out the decisions of the 12th congress and the national conference of the party, a number of successes in developing the base of energy and raw materials were obtained in the first 3 years of the 5-year period. As the Official Statement on the Fulfillment of the Sole Plan for Economic and Social Development of Romania for 1983 notes, 44.5 million net tons of coal (compared to 35,164,000 in 1980), 11.6 million tons of crude oil (compared to 11.5 million in 1980) and 32.6 billion cubic meters of methane gas (including free gases) were achieved in the extractive industry and 70.2 billion kilowatt-hours (compared to 67,486 million in 1980), including 19,878 million kilowatt-hours on the basis of coal, were produced in the electric-power industry. Good results were also attained in the development of the base of raw materials, raising the percentage of the domestic production in the total resources. At the same time, the introduction of reusable materials into the productive economic circuit, the utilization of secondary energy in production, and the recovery and reconditioning of parts and subassemblies were also expanded. A significant part of the need for raw materials in the economy was met through the recovery and reuse of materials.

Judging the results obtained in the economic field in 1983, the Political Executive Committee of the RCP Central Committee--meeting in the session of 28 January 1984--stressed that they could have been better if in all sectors a greater spirit of responsibility had been manifested, if greater attention had been devoted to the growth of labor productivity, to the exemplary mobilization of all material and human resources. At the same time, the necessity of devoting special attention to carrying out the special programs regarding the development of our own base of raw materials, in order to secure, as soon as possible, the country's energy independence, the raising of the technical level and the quality of the products, the faster growth of labor productivity, and the reduction of the consumption of energy and materials, was stressed. In the law on the Sole National Plan for Economic and Social Development of Romania for 1984, provision is made for the extraction of 61.71 million net tons of coal,



13 million tons of crude oil and 33.48 billion cubic meters of usable methane gas (including free gases) and the production of 77 billion kilowatt-hours of electric power.

Of necessity, the achievement of Romania's energy independence is coming to pass through the preponderant use of the traditional sources of energy, harnessed with the so-called conventional technical means. In a way, both the sources and the methods of exploitation are old (as regards type), although the latter are often of a world standard. These sources are, in their majority, unregenerable and will be depleted in a certain historical interval, with the depletion being hastened not only by the steady rate of economic growth but also by the still-low performances of the current technologies, highly wasteful of resources by their nature, by their own traits, even under normal operating conditions.

Of course, energy losses are inevitable. However, they are high now, representing in the whole production chain, from extraction to final utilization, the majority of the useful substance that is found in the primary natural resource, which we can separate only partially from its direct connection with the earth. These losses, present to different degrees in the economy of all the industrialized countries, represent the price paid for raising productivity and saving worktime. Labor has been saved, but big amounts of matter and energy have been and are being wasted. The world community must thus not only improve its techniques of extraction, production and final utilization of energy but also turn gradually to techniques of another type, based on other operating principles, and, at the same, discover new sources of raw materials and energy.

The process has begun both on a world level and in our country; however, the continuation of it requires scientific research to penetrate even further into the depths of the world of matter. "Let us propose," Comrade Nicolae Ceausescu stressed, "to know completely the structure of matter, of the physicochemical, biological and genetic processes in nature and, on this basis, act consciously to direct the processes in order to transform nature, to confer new characteristics on useful substances and minerals, in order to meet the growing needs for developing our society."<sup>6</sup>

In the world as a whole, energy and raw materials must again become abundant and cheap through the strict reduction of the social production costs. At a certain point in economic evolution, a point which is hard to determine, but which will surely become real, high-output techniques with low consumptions of natural resources, with a low value of the basic products, meant for processing, will be found; under new conditions, another substantial reduction in the costs in all branches and--I believe--another expansion of factory production will then begin. In this hypothesis, the amount of resources used to create a certain useful effect can drop substantially and the wide-scale resolution of the contradiction and gap between the big volume of raw materials and energy consumed and the small useful effect, characteristic of traditional machine production, can begin. Cost reduction, which we consider possible and necessary, also entails a change in the structure of the products, it influencing quite inclusively the concrete mode of production in various branches. Because, while it is true that economic eras differ not so much in what they

produce, but especially in the way in which they produce, with what means of labor, this way itself depends on what is produced, on the kind of use values, now at the height of the process of radical restructuring.

2. At present, the contradiction (disproportion) between industry and agriculture is also manifesting itself in our national economy. "There is," the secretary general of the party says, "a certain disproportion and contradiction between industry's strong development and agriculture's slower development."<sup>7</sup>

From the very outset, we ought to specify that this contradiction has appeared not purely and simply because the rate of growth of industrial production has outstripped the rate of growth of agricultural production, but because the growth of production in agriculture has not managed to meet, at the level of the requirements, industry's need for raw materials and the population's need for agricultural and food products. In addition, agricultural production has not risen to the level of the natural premises on which the agriculture in our country depends.

The disproportion and contradiction between the development of industry and agriculture are reflected synthetically in a number of economic indicators, such as the situation of the production forces, the technical equipping of labor, labor productivity and the participation of the two branches in the creation of national income. In 1981, industry had 44.3 percent of the fixed assets that were operating in the national economy and 36.1 percent of the country's employed population, and agriculture had 10.6 percent of the national economy's fixed assets and 28.9 percent of the employed population. Despite the obvious progress achieved in equipping agriculture with fixed assets, the level of technical equipping of labor in this branch is still below that in industry and below the necessities for obtaining high and constant outputs in each agricultural unit. For this reason--to which others are also added--the value newly created by a worker in agriculture is significantly lower than that created by a worker in industry, a fact thrown into relief by the different ratio between the percentage that the two branches have in national income and in the country's active population. In 1981, industry participated with 51.7 percent in the creation of national income (and had 36.1 percent of the employed population) and agriculture participated with 15.8 percent (and had 28.9 percent of the employed population).

The inconstancy of agricultural production, generated not only by the variation in climatic conditions from one year to another but also by the current degree of effective application of science and technology in agriculture, by the quality of the labor, by the way in which the land resources are managed and so on, adds to the big difference between the level of labor productivity in industry and that in agriculture.

The requirements of the economy as a whole at the present time and in the future and the necessity of expanding the domestic market and the sources of raw materials and of more organically joining the unitary national complex, together with the current production potential that Romania possesses, dictate and make possible the more substantial growth of agricultural production, the resolution of the contradiction and the elimination of the disproportion between

industry and agriculture, the successful achievement of the new agrarian revolution. According to the provisions, agricultural production must increase 24.5-27.5 percent in the 1981-1985 period, with the main accent being put further on increasing the production of cereals. As the possibility of increasing the arable area is minimal, the raising of the yields per hectare constitutes the main way to achieve the planned total production of cereals.

Zootechny, which will resort to increasing the population of animals and their outputs alike, will make a bigger contribution to increasing the total agricultural production. Although both means have a sphere of action, the raising of the output obtained from each animal is acquiring greater and greater weight, because, among other things, there is a long way to go before achieving high outputs per foddered animal in many agricultural units.

In the current decade, greater attention will be devoted to vegetable growing, vinegrowing and fruitgrowing, which will increase their production due to the appearance of new, highly productive plantations and due to the modernization of the existing ones.

Since in agriculture the economic process of reproduction is interwoven with the natural one, and the land is the main (active) means of production, having well-defined characteristics in different counties and within them, the proper territorial distribution of agricultural production, the rational zoning of it, represents an essential condition for high and effective yields. There still are reserves in this direction. As some specialists estimate, through proper zoning, the production can rise--even without additional investments--10-15 percent, there being conserved better, at the same time, the soil, whose condition depends, to a not-at-all negligible degree, on the compatibility between it and the plant grown. In many countries of the world, very big areas leave the agricultural circuit every year because of the contradiction between the crops used and the soil's properties.

In the hypothesis of improving the zoning, the production rises both because the plants have more favorable environmental and thus maintenance conditions and because it favors the concentration and specialization of production, avoiding the breakup and dispersal of the production factors. Along with better zoning, the expansion of the proper crop rotations is also highly topical; it raises production and, at the same time, causes savings in means of production, in intermediate consumptions, whose tendency is to visibly increase.

The matter of raising to a higher level the equipping of agriculture with "internal" means of production of an industrial nature, and regularity in supplying it with production factors, represent another condition for raising agricultural production, for increasing agriculture's contribution to the growth of national wealth. Regularity in the supply is even more necessary in agriculture than in industry, because in agriculture each activity has an optimum period for being done; the exceeding of it results inevitably in big production losses.

High-yield seed and planting stock are among the capital (as regards significance) means of production of agricultural origin. In agriculture, you reap

what you sow, and you reap quantitatively and qualitatively in relation to the quality of the seed and thus of the plant that grows from it, in relation to the productivity of this specific means of labor, often treated merely as a product and an object of labor. Consequently, high yields in crop production in each unit necessitate a big amount of high-quality seed--enough for the entire area cultivated. Seed production--which has been specialized and concentrated, it being dissociated from the production of the product that enters into the consumption of the population and of other branches than agriculture--must be expanded and achieved on the basis of continual and extensive research and with scientific rigor throughout the technological chain, more complex and fragile than any industrial production. If the production of first-rate seed is insufficient, the yields can be very different from one unit to another, even if the supply of other production factors is equal. Likewise, if the quality of the seed used fluctuates from one year to another, the yield also fluctuates, independently of the climatic conditions and the volume and quality of the other means of production. Noting the seed program's importance for raising agricultural production, Comrade Nicolae Ceausescu said: "As a matter of fact, I feel that by 1985, at the latest, we must wind up this program and secure the production of seed in conformity with the provisions of the laws. We have the necessary force, we have the necessary varieties--and we must start to do this."<sup>8</sup>

The growth of the equipping with means coming from industry will be added to the better supplying of agriculture with its own means. During the current 5-year period, agriculture will get a large number of modern tractors, machinery and equipment and bigger amounts of chemical and organic fertilizer. As is specified in the Official Statement on the Fulfillment of the Sole National Plan for Economic and Social Development of the Socialist Republic of Romania for 1983, our agriculture now has 168,000 physical tractors (compared to 146,000 in 1980), 14,800 being gotten in 1983, and 53,800 self-propelled grain combines (compared to 38,900 in 1980).

The development of agriculture's technical-material base in the current 5-year period and in the future is directed toward gradually attaining an objective that could be called the securing, with the necessary funds, of high and efficient outputs in each unit. This is because the measures that are aimed at eliminating the disproportion between industry and agriculture are, at the same time, measures meant to bring the units in agriculture closer together from an economic viewpoint, to eliminate the gaps between them as regards labor productivity, output per hectare and per animal, and so on, and to secure, simultaneously, a convergence of the incomes of the workers and the cooperative peasants who work in various units.

As is known, profitability begins to "flow" at a certain threshold of agricultural production, this requiring, in its turn, the placing of the enterprises under socially necessary production conditions, the putting of a certain "capital" at their disposal, and a certain combination of production factors. We also say a certain "combination" because the volume of the output obtained is conditioned not only by the sum of the production factors but also by this sum's components and the quantitative and qualitative relationships established between them, by their harmony and proportionality. When the sum of the



production factors and their internal structure are below the requirements, the relatively low total production expenses are accompanied by low outputs and by high costs per product. In a number of economic units, the growth of production and profitability necessitates the raising of the total expenses per hectare and per animal, the proper correlation of their component elements, and the attainment of the threshold of "capital" needed for efficient production. In this way, it is possible to eliminate some disparities existing in many units--between the genetic value of the plants and the volume (and quality) of the agrotechnical work performed, between the breed of animals raised and the tending of them, between the number of animals and the fodder resources, and so on--disparities resulting in low outputs, whose level often lies at half of the genetic potential of the plants and animals.

No matter how paradoxical it may seem, in a number of units, the output is not proportional to the production factors consumed and the assets are still utilized uneconomically because of their quantitative and qualitative insufficiency and the artificial correlations between their components. The agreement between expenses and effects, between what comes in and what goes out, becomes effective only if a certain minimum of supplying with assets is attained, a different minimum for different enterprises, which must be determined by calculation. However, the cases are not few in which the value of the output lies below the limits permitted by the assets because of poor administration of them and not because of their insufficiency.

The growth of agricultural production on the whole and of its effectiveness also depends on determining and observing the maximum threshold of the output per hectare and per animal, in various units and zones, a threshold beyond which the profitability begins to drop because diminishing returns set in. When the quality of the production factors remains the same, the output attains a level beyond which any percentage of increase is accompanied by higher costs, in both plant and animal production. At the same time, an increasing transfer of means utilized in agriculture to the environment occurs, with the rapid pollution of it necessitating high expenses for "repairing" the natural production factors in the future. The example of the administration of chemical fertilizer is conclusive in this regard. The amount of it put into the environment rises in proportion to the difference between the normal consumption capacity of the plants and the volume of fertilizer used on a given area.

The calculation of the maximum and efficient output and, at the same time, of the maximum capital allowed per hectare and so on, on which agriculture's internal accumulation and its development through its own resources depend, is especially necessary now, when agriculture has become a big consumer of energy, registering a negative balance, and energy prices are high.

The expansion of the land-improvement work, especially the irrigation work, the elimination of excess moisture and the combating of soil erosion, and the raising of the land's production capacity--put down as main objectives in the National Agricultural Program--constitute a leading factor in the growth of plant and animal production, in the modernization of all agriculture, in the providing of stability to agricultural production. The implementation of this vast program for transforming nature--Comrade Nicolae Ceausescu stressed--"will give

a new appearance to our country and will provide the conditions needed for achieving high-yield and high-efficiency agriculture, under any conditions, securing in this way the achievement of the new agrarian revolution."<sup>9</sup>

In conformity with this vast program, at the end of the current 5-year period, the country's agricultural area will be at least 15 million hectares and the area set up for irrigation will be 4 million hectares, with the latter reaching about 5.5-6 million hectares in 1990 (compared to 2.38 million hectares in 1982). The area provided through drainage will also rise to about 5 million hectares in 1990 (compared to 2,576,000 hectares in 1982), and that provided through work to combat soil erosion will rise to 5.3 million hectares (compared to 1,718,000 hectares in 1982). In 1983, work of setting up for irrigation was done on 210,900 hectares, drainage on 123,500 hectares, work to combat soil erosion on 158,800 hectares and ameliorative work on 457,400 hectares.

It should be noted that the land-improvement work will be achieved in a unitary conception and in close connection with the water-management work and with the hydroelectric-power and silvicultural facilities within each hydrographic basin. The economical achievement of the work contained in the program is thus facilitated and, at the same time, the necessary premises are created for raising production in the immediately following period, along with protecting the country's whole environment, on which the fate of production depends very much, directly in agriculture and indirectly in all branches. This goal--protecting the environment in the future--corresponds in all respects to the idea of the "biological capital's" significance for any efficient production, to the conception based on the incontestable experience that the product and surplus product--especially in the economy's primary branches--have had and will always have a condition in the fertility of the soil, in the sufficiency of the natural resources and in the ecological balance. Natural resources and nature's normal processes of transformation and "creation" have been and remain an "aspect" of the economic process of reproduction.

The improvement of the organization of production and labor, the raising of the qualifications of the personnel in agriculture, the alteration of their structure according to the changes occurring in the technical-material base, and the improvement of the behavior in work and of the attitude of the peasantry toward agricultural production and the land, depending, in its turn, on a whole series of factors that merit a separate treatment, are also of real importance for raising agricultural production. The providing of technical competence for all necessary personnel--at the present time and in the future--and of proper maintenance and service on the irrigation systems, essential operations for profiting from the big investments occasioned by the land-improvement work and, at the same time, for conserving the soil, is a major task.

The Sole Program for Growth in the Agricultural Production on the Personal Farms of the Members of the Agricultural Production Cooperatives and on the Farms of the Private Producers, which, as Comrade Nicolae Ceausescu said in the speech at the working conference in Sinaia, "constitutes an integral part of the plan and the measures established for carrying out the decisions of the 12th congress and the national conference of the party with regard to more strongly developing agriculture--as a basic branch of the national economy--and

achieving a new agrarian revolution,"<sup>10</sup> is of particular significance for raising the country's agricultural production.

What counts for the purpose of the production activity in any branch is the amount of products furnished to the consumers and actually utilized by them. Consequently, the expansion of the facilities for storing and preserving agricultural products and the development of transportation for agriculture constitute an objective pursued, along with raising agricultural production. When the storehouses and the means of transportation are insufficient, big quantities of products are wasted and do not reach the table of the consumers.

The growth of agricultural production and the elimination of the disproportion between industry and agriculture will be equivalent to developing the exchange of activities between the two branches, to expanding our own base of raw materials, to achieving one of the necessary conditions for resolving the contradiction between the population's consumption requirements and the existing possibilities and, at the same time, to bringing the labor productivity and the value newly created by a worker in agriculture closer to the level of those in industry, as an economic basis for equalizing the incomes of the workers in these branches.

The vitality of the whole national economy, especially industry, constitutes the general background for eliminating the disproportion between industry and agriculture. In the current 5-year plan and in the future programs, industry's resources for progress, for advancement, remain greater than agriculture's. Through its nature, through the production's big possibilities of diversification, through the increasing takeover of tasks resolved in the past in other branches and so on, through its and the whole national economy's requirements for progress, industry can and must be developed faster than agriculture. Setting aside the specific character of each branch, which, objectively, does not permit equal rates of evolution, the progress, the proportionality and the balance between branches and subbranches imply not equality in rates, but inequality. The problem is one of "extent," of "degree," of "difference." Naturally, the inequality in the rate must lie within certain limits, so that the level of the production and its list in each branch correspond to the requirements for progress of the whole and of the parts found in connection, to the quantitative and qualitative exigencies for the dynamic, permanent and regular exchange between the subsystems of the unitary economic complex.

#### FOOTNOTES

1. Nicolae Ceausescu, "Cuvintare la Consfatuirea de Lucru pe Problemele Muncii Organizatorice si Politico-Educative, 2-3 August 1983" [A Speech at the Working Conference on the Problems of the Organizational and Political-Educational Work, 2-3 August 1983], Politica Publishing House, p 16.
2. Nicolae Ceausescu, "Raport la Conferinta Nationala a Partidului Comunist Roman, 16-18 Decembrie 1982" [A Report to the National Conference of the Romanian Communist Party, 16-18 December 1982], Politica Publishing House, p 38.

3. See: Dr Aurel Iancu, "The Necessity of More Markedly Developing the Base of Raw Materials and Energy," ERA SOCIALISTA, No 5, 1983, p 29.
4. Ibid.
5. See: Engr V. Gh. Scripat-Florescu, "The Dual Aspect of the Mining Industry: a Producer and a Consumer of Energy," ERA SOCIALISTA, No 1, 1984, p 17.
6. Nicolae Ceausescu, "Cuvintare la Plenara Comuna a CC al PCR si Consiliului Suprem al Dezvoltarii Economice si Sociale a Romaniei, 4-5 Iulie 1979" [A Speech at the Joint Plenum of the RCP Central Committee and the Supreme Council for Economic and Social Development of Romania, 4-5 July 1979], Politica Publishing House, pp 15-16.
7. Nicolae Ceausescu, "Raport la Conferinta Nationala a PCR," p 38.
8. Nicolae Ceausescu, "A Speech at the Joint Session of the National Council for Agriculture, the Food Industry, Silviculture and Water Management and the Conference with the Actives in Industry and Investments, 8 September 1983," SCINTEIA, No 12,766, 9 September 1983.
9. Nicolae Ceausescu, "A Speech at the Plenum of the National Council of the Socialist Democracy and Unity Front, 30 June 1983," SCINTEIA, No 12,707, 1 July 1983.
10. Nicolae Ceausescu, "A Speech at the Working Conference on the Activity in Agriculture, the Stronger Development of the Plant and Animal Production on the Personal Farms of the Cooperative Members and of the Private Producers, 17 January 1984," SCINTEIA, No 12,877, 18 January 1984.

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